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RESTAURANTS USA

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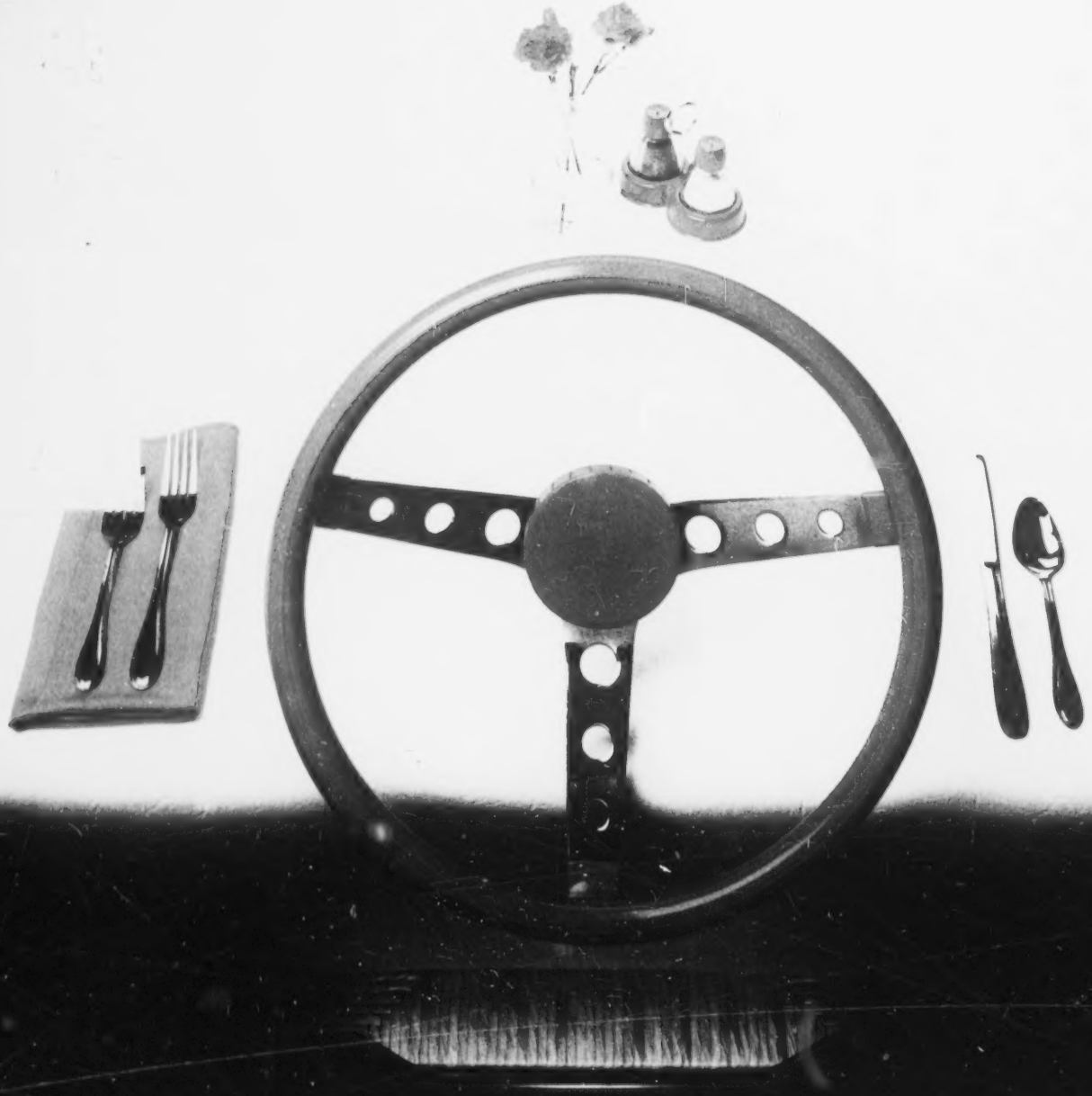

1987 FORECAST•

CONSUMERS TAKE THE DRIVER'S SEAT

ASSOCIATIONMEETINGS

Published by the National Restaurant Association

USA

VOL. 6 NO. 11 DECEMBER 1986

SEMINARS

Basic Foodservice Courses

Dining Room Management
1/20 Pawtucket, RI
2/3 New Orleans, LA
2/18 Rosemont, IL
2/19 Minneapolis, MN
3/19 Boston, MA

Increasing Sales: Effective Front-of-the-House Management*
2/2 Winnipeg, Manitoba, Canada
**Formerly Dining Room Management: Sales and Service*

Kitchen Management
1/22 Schaumburg, IL
1/26 Baltimore, MD
3/2 Oak Brook, IL
3/9 Shreveport, LA

People-Power and Profits
1/22 Philadelphia, PA
1/29 Cincinnati, OH
3/10 Tucson, AZ

Tools for Training
2/25 Seattle, WA
3/19 Los Angeles, CA

Food Production Courses

Perfecting Your Culinary Skills
1/27 Atlanta, GA
2/5 Dallas, TX

Simplified Baking Workshop
2/10 Ventura, CA
2/12 Sacramento, CA

Soups and Sauces
1/22 San Diego, CA
2/16 Denver, CO
3/1 Washington, DC
3/3 Rochester, NY

Foodservice Management Courses

Banquet Management
1/26 Vancouver, B.C., Canada
1/28 Montreal, Quebec, Canada
2/23 Newark, NJ

Beverage Management
2/3–4 St. Louis, MO
3/30–31 King of Prussia, PA

Employee Motivation
2/9 Charlotte, NC
2/11 Vienna, VA
3/9 Portland, OR

Food Cost Management
1/20 Orlando, FL
2/18 Nashville, TN

Foodservice Operators' Legal Workshop
1/27 Birmingham, AL
2/23 Concord, NH
2/25 Cincinnati, OH
3/4 Seattle, WA

Menus That Sell!
3/10 Troy, MI

Negotiating for, and Financing, Foodservice Facilities
1/29–30 Atlantic City, NJ
3/19–20 Springfield, VA

Off-Premises Catering
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2/9–10 Madison, WI
3/2–3 Indianapolis, IN

Operational Analysis
1/28–29 Jacksonville, FL

Planning and Implementing Restaurant Marketing Strategy
3/4–5 Reno, NV

Planning Successful Buffets
2/17 Lexington, KY
3/2 Colorado Springs, CO
3/23 Tampa, FL

Profitability
1/28 Atlanta, GA

Real Estate and Restaurant Site Selection
2/17–18 Scottsdale, AZ

Restaurant Design and Facilities Planning
2/10–11 Tampa, FL
2/23–24 Las Vegas, NV

S.A.F.E.
1/20 Arlington, VA
3/11 Cleveland, OH

Stress and Foodservice
3/25 San Antonio, TX
3/26 Dallas, TX

Wine and the Bottom Line
1/27 Toronto, Ontario, Canada
2/25 Stamford, CT

NATIONAL CONFERENCES

Independent Foodservice Operators' National Conference
1/18–21 San Francisco, CA

National Conference on Computers in Foodservice
3/8–11 Dallas, TX

Conference on Planning and Financing Restaurant Growth
4/5–8 Los Angeles, CA

If your company is interested In-house Programs, call or write to the attention of Ed O'Hare at the above address.

For more information, contact National Restaurant Association Education Programs 311 First Street, N.W. Washington, DC 20001 (800) 424-5156 or (202) 638-6100.

STUDY GROUP MEETINGS

Safety Officers
1/12–14 Miami, FL

Large Independent Operators (LIO)
1/16–18 San Francisco, CA

Labor Relations
1/29–30 Washington, DC

Financial Officers
4/1–3 San Diego, CA

Tax Executives
4/1–3 San Diego, CA

MIS (formerly EDP)
4/7–12 Orlando, FL

Internal Audit
4/21–24 Orlando, FL

MAECO
5/13–15 Chicago, IL

Marketing Executives
5/13–16 Chicago, IL

Foodservice Purchasing Managers
5/14–15 Chicago, IL

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PRESIDENT'S REPORT

G. "Jim" Hasslocher, President
Frontier Enterprises, San Antonio, Texas

Association predicts growth in 1987

In 1987, our industry will approach $200 billion in sales and will account for 40 percent of the American food dollar. We have come a long way. In 1971, we rang up $46 billion in sales and accounted for 34 percent of the food dollar.

Next year will be the seventh consecutive year of real sales growth for the foodservice industry. The industry has entered a mature phase in which growth is unlikely to be dramatic, but absolute dollar increases will be substantial.

We have entered a phase in which, more than ever before, the foodservice company that responds most rapidly to changing consumer demand will post the greatest gains. By following National Restaurant Association research, by sharing ideas at association conferences and seminars and by reading this magazine regularly, you can learn what consumers want and need. Be sure to take advantage of your association membership in the year ahead.

Association prepares for the 100th Congress

It is still unclear how government action in 1986 will affect the economic forecast for foodservice in the year ahead. The new Immigration Act and the Tax Simplification Act, which will become law on Jan. 1, 1987, will certainly alter foodservice operations. The National Restaurant Association is carefully monitoring these effects. (See "Washington Report" in this issue of ***Restaurants USA*** for a legislative and regulatory wrap up.)

Similarly, the 100th Congress, which convenes in January, may reintroduce legislation that could 1) increase the minimum wage, 2) require mandatory labeling on fast food and take-out wrappers and 3) mandate extended employee benefits, such as medical and parental leave.

Congress has not given sufficient consideration to how such legislation will affect business—and more particularly foodservice. In the months ahead, the association will be seeking your help in making your representatives understand the repercussions of their decisions.

Festival offers wine education

For those association members who sell alcoholic beverages, the Monterey Wine Festival, March 8–11, 1987, in Monterey, CA, is an essential event. Now produced by the National Restaurant Association, the festival is the ultimate symposium on domestic wines and wine service. It will feature tastings, lectures, seminars, displays and other wine-related events.

A thorough knowledge of wines and wine promotion is the key to increased wine sales. For more information on the festival, write P.O. Box 467, Monterey, CA 93942.

Employee campaign gains momentum

We know that foodservice offers rapid promotion and rewarding careers. Unless we share this information with the public, however, our industry will face significant labor shortages in the years ahead. We should all take every opportunity to remind our current employees and potential employees about the benefits of employment in America's hospitality industry.

That is what the "Ours is a Special World" campaign is all about. The poster reproduced on the back cover of this magazine is just one in a series which should be on display in the back of your house. Last month, you received a packet containing samples of the "Ours is a Special World" materials as well as an order form. Order the materials you need today and help publicize the message

about what our industry offers to loyal and hardworking people.

Conferences scheduled for early 1987

The association's education programs will get off to a quick start in 1987. In addition to the 175 seminars to be held between January and July next year, two national conferences are scheduled for early in the year. On Jan. 18–21, 1987, in San Francisco, CA, the annual Independent Foodservice Operators' Conference—INFO 87—will draw together restaurateurs from across the country.

INFO has gained a reputation for its diverse, hard-hitting programs that respond to the needs of the independent operator. Topics at this year's conference will include *In Search of Restaurant Excellence, Kitchen Design Concepts, Profit Center Analysis* and many others. If you are an independent operator, INFO could be your best investment of the new year.

Computer conference focuses on software

The National Restaurant Association's National Conference on Computers in Foodservice is scheduled for March 8–11, 1987, in Dallas, TX. This year's agenda will take an in-depth look at computer software and its application in foodservice. As foodservice catches up to other "high tech" industries, restaurateurs are discovering highly profitable and creative uses for computers in all aspects of their operations. Whether you are looking for ways to take full advantage of your present system or you are investigating the possibility of adding automation to your operation, this national conference will give you the tools you need to make profitable decisions.

Association videos take award

Your association has won another award from its peers—this one in the area of education. In November, the National Society of Association Executives presented the National Restaurant Association with an Award of Excellence in Education for our Waitstaff Video Training Series.

Many of you are probably familiar with the video training program as more than 6,000 tapes have been sold during its first year of distribution. I am happy to announce that the association's education programs department will be expanding its video training library in February to include a back-of-the-house series. Focusing on sanitation and food handling procedures, the new series will discuss and demonstrate purchasing, receiving, storage and food prep techniques. You will receive more information on the program in the near future.

Since the holidays are approaching, everyone in the Hasslocher family—Veva, Susan, Caryn, James, Robert, Julie and I—extends best wishes to you for a healthy celebration both in your business and in your home.

During November, 187 foodservice operators and allied suppliers joined us as members of the National Restaurant Association. Welcome. Your participation in the association will make your business grow and will make the association more effective in its endeavors on your behalf.

G. Jim Hasslocher

G. "Jim" Hasslocher
President and Chairman of the Board

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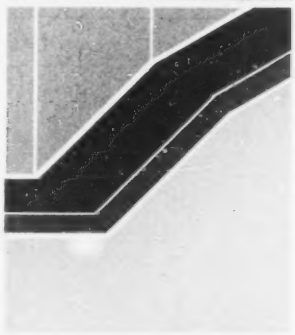

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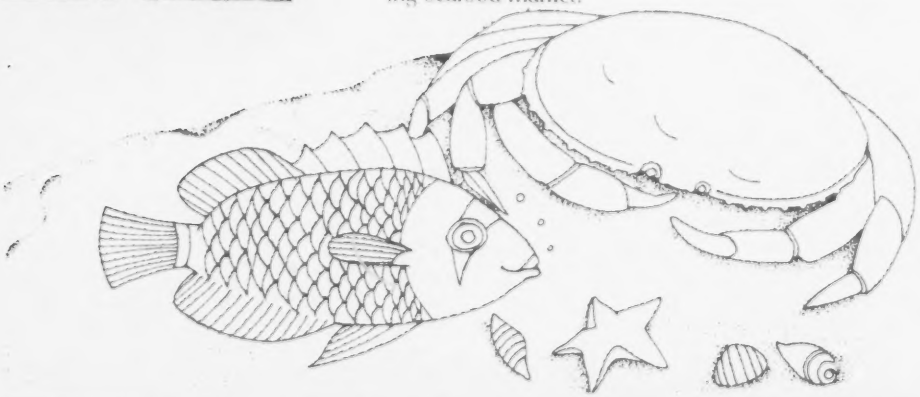
Because consumer demand for seafood has risen dramatically, this *Viewpoint* outlines ways the foodservice and seafood industries can work together to ensure quality, adequate supplies and innovation in the growing seafood market.



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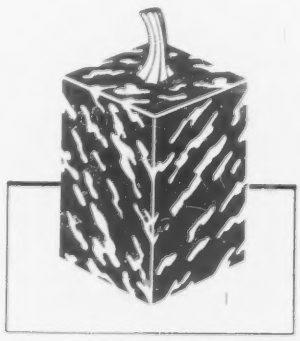


Cover photograph by Gary Landsman

SHORTORDERS

One-stop commodity shopping at 1987 Show

When you attend the 1987 National Restaurant Association Hotel-Motel Show, you can get all your commodity information in one stop. Twelve commodity marketing associations that represent American-grown produce will distribute recipes and food-handling tips for foods ranging from filberts to cheeses.

In previous years, commodity associations exhibiting at the Show were not organized into a single display area.

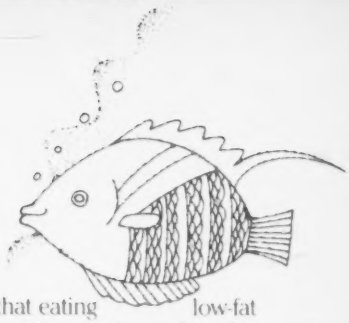
Association Convention Director Thomas C. Corcoran remarked that the new commodity program has enticed 50 percent more commodity marketing associations to exhibit in 1987 as in 1986. So far, Show attendees can expect to see representatives from the Produce Marketing Association, National Coffee Association, Seafood U.S.A., Florida Department of Citrus, California Beef Council, Winegrowers of California, National Cherry Foundation, Wisconsin Milk Marketing Board, American Lamb Council, Iowa Department of Economics, Oregon Filbert Committee and North Carolina Department of Agriculture.

Tourism industry dinner planned

The Travel and Tourism Government Affairs Council will host its fifth annual Tourism Industry Unity Dinner and Congressional Reception on Feb. 18, 1987, at the Washington, DC, Hilton Hotel.

The dinner program will celebrate 200 years of American constitutional government. It will also provide travel industry executives with the opportunity to meet with colleagues, Congress and federal government officials. For more information, contact the Travel and Tourism Government Affairs Council, 1899 L St., N.W., Washington, DC 20036.

PSAs to promote seafood, health



Three public service announcements (PSAs) promoting the health benefits of eating seafood have been produced by the National Fisheries Education and Research Foundation (NFERF).

The PSAs are designed to increase consumer awareness that eating low-fat and low-cholesterol foods, such as fish and vegetables, is good for the heart and can reduce the risk of heart attack. The PSAs promote seafood consumption in three different situations: cooking at home, shopping in the supermarket and eating in restaurants.

NIFI administers new tuition scholarship

Receiving the first Joseph E. Seagram & Sons $10,000 hospitality management tuition scholarship is William L. Rapant (second from right), a senior in Cornell University's School of Hotel Administration. Presenting the scholarship administered by the National Institute for the Foodservice Industry (NIFI) are (left to right) Thad A. Eure, Jr., NIFI president and past National Restaurant Association president Lawrence J. Weiss, Seagram vice president and Richard Hauer, NIFI executive director.

Association videotapes win award

The National Restaurant Association's Waitstaff Video Training Series has received an award of excellence from the American Society of Association Executives, an individual membership society made up of nearly 14,000 association executives and suppliers.

The videotape training series, which teaches waiters and waitresses principles of service, suggestive selling, training and team work, won the award in the first-year education program category.

The awards of excellence, which are sponsored annually by ASAE's Education Section, are presented to associations which have demonstrated creativity and innovation in educational programming.

This year's competition attracted nearly 100 entries in seven different categories, representing a wide range of national, state and local associations.

For further information about the Waitstaff Video Training Series, please contact Caren Brinker at the National Restaurant Association, 311 First St., N.W., Washington, DC 20001, (800) 424-5156 or (202) 638-6100.

1986 legislative, regulatory wrap up

Association Past President Ted Balestreri testified on tax reform issues.

1986's legislative and regulatory decisions will have a lasting effect on the way foodservice businesses will operate in the future.

The most significant legislative activity of the 99th Congress centered around massive revisions to U.S. tax and immigration law. Federal action on the liability insurance crisis was the subject of numerous hearings, but just one measure was enacted before Congress's final adjournment on Oct. 18, 1986.

For the foodservice industry, the 99th Congress's activity brought some victories and some hard-fought losses. Restaurateurs will face new challenges adapting to changes in immigrant employment law and business meal deductibility, yet they will also have new options in purchasing liability insurance and hiring because of the passage of risk retention and TJTC legislation. Most important, lobbying by business groups this year prevented passage of potentially harmful legislation, such as the proposed polygraph ban, increase in the minimum wage, mandatory employee benefits and fast food ingredient labeling.

The National Restaurant Association lobbied successfully this year to prevent the passage of bills advocating a polygraph ban, fast food ingredient labeling and mandatory parental leave.

On the regulatory front this year, news was good for the foodservice industry. On several issues—particularly sulfites, central kitchens and fast food labeling—decisions made by federal agencies mirrored positions aggressively advocated by the National Restaurant Association.

Laws enacted

Tax Reform Act of 1986. The most talked-about legislative action of 1986 will shift an estimated $120 billion of the total tax burden from individuals to corporations over the next five years by radically scaling back both tax rates and tax breaks. President Reagan signed the tax bill on Oct. 22, 1986.

Contained in the bill is the association-opposed 20-percent cutback in the business meal deduction. Beginning Jan. 1, 1987, only 80 percent of expenditures on business meals, business entertainment and meals eaten away from home by business travelers may be deducted as legitimate business expenses. The bill allows for certain banquet meals to remain fully deductible in 1987 and 1988.

Targeted Jobs Tax Credit. The tax reform bill also retroactively reinstated TJTC, the tax credit available to employers who hire employees from one of nine categories of "disadvantaged" workers. The credit had expired on Dec. 31, 1985.

Through 1988, the measure allows employers a credit of 40 percent of a qualified employee's first-year wages, up to a maximum credit of $2,400.

Immigration reform. For the first time in U.S. history, employers who knowingly hire illegal aliens will be subject to civil and criminal penalties. They will face fines ranging from $250 to $10,000 per "illegal" hired. The amount will be determined by how often an employer has been found guilty of an infraction.

The new immigration law will require employers to maintain records documenting that they have checked prospective employees for proper identification. Employers with insufficient paperwork may be fined.

Employer sanctions are intended to eliminate the "job incentive" which many claim has attracted illegals to the United States in the past. The law went into effect Nov. 6, 1986, and provides a six-month "education" period during which no penalties will be imposed on employers.

Mandatory retirement. On Oct. 31, 1986, President Reagan signed landmark legislation prohibiting firms employing more than 20 workers from setting a mandatory retirement age. Until now, federal law allowed private employers to require retirement at age 70. The new law, which goes into effect Jan. 1, 1987, also specifies that health benefits for workers over 70 years of age must be continued.

Risk retention. This year's only federal bill designed to help alleviate the liability insurance crisis allows businesses and others to band together to collectively purchase general liability insurance or to pool their resources in order to self-insure. Previously, this option was open only to buyers of product liability insurance. President Reagan signed the bill into law Oct. 27, 1986.

Employee health benefits. The fiscal 1986 Consolidated Budget Reconciliation Act ("Cobra") signed by the President last April contained a provision requiring employers to permit ex-employees to continue partici-

pating in company health insurance plans for up to 18 months after the employee's separation date, providing that the employee was not fired for gross misconduct.

Employees must elect benefit continuation within 60 days of their separation date, and they must continue to pay insurance premiums, including any portion formerly paid by the employer.

The law also requires companies to offer a deceased or divorced employee's spouse or other qualified beneficiary the option of continuing health benefits for up to 36 months after an employee's death or divorce.

The law, which went into effect July 1, 1986, covers companies operating health plans for more than 20 workers.

Daylight saving time. Spring daylight saving time will now begin on the first Sunday in April rather than the last. Because this lengthens the time consumers can shop in the evenings, retailer groups supported this legislation.

Superfund. Corporations earning more than $2 million annually will be subject to a new 1987 tax of $12 per each $10,000 of earnings above that amount; revenues will fund hazardous waste cleanup. Opponents criticized the broad-based tax for unfairly penalizing those companies that do not generate hazardous waste.

Unfinished business

Polygraph ban. The House passed polygraph legislation in March, but the companion Senate bill never made it to the Senate floor for debate. The National Restaurant Association and other business groups lobbied against the controversial bill, which would have prohibited most private employers from administering lie detector tests. Some senators attempted to come up with compromise legislation more acceptable to businesses, but they were unsuccessful.

Mandatory employee benefits. Legislation was introduced in both houses of Congress requiring employers to grant employees up to 18 weeks of parental leave every two years and 26 weeks a year of personal disability leave. In the House, the bill received committee approval, but a lack of time precluded floor debate; the Senate bill saw neither committee nor floor action. The association opposes any type of government-mandated benefits, and it will continue its opposition if the legislation is reintroduced in 1987.

Fast food labeling. The association actively and vehemently opposed bills introduced in both the House and the Senate this spring that would mandate ingredient disclosure in certain fast food establishments. Congressional sponsors are likely to reintroduce similar legislation next year. The association will continue to maintain that mandatory labeling is an unworkable, unenforceable way of distributing ingredient information.

Minimum wage. The House held no committee hearings on any of the three proposals to raise the minimum wage.

Highway billboard removal. The fiscal 1987 highway funding bill got tied up in heated conference committee debate during the final days of the 99th Congress and was never passed. One divisive issue was whether to speed up billboard removal on highways receiving federal aid by allowing states to amortize the expense of sign removal instead of compensating sign owners in cash. Because millions of federal dollars are currently unauthorized for state use, the bill is expected to be taken up early in the 100th Congress.

Decisions made by several federal agencies this year—on sulfites, central kitchens and fast food ingredient labeling—reflected positions advocated by the association.

Regulatory action

Sulfite ban. The Food and Drug Administration's (FDA) ban on the use of sulfites as preservatives on fruits and vegetables intended to be served or sold raw or presented to customers as fresh went into effect Aug. 8, 1986.

The regulation also requires labeling, beginning Jan. 8, 1987, of all processed foods containing sulfites above a detectable level (10 parts per million). Another regulation released by the Bureau of Alcohol, Tobacco and Firearms requires labeling for alcoholic beverages containing sulfites, beginning Jan. 9, 1987.

The association has long supported a ban on sulfite use, advising its members since 1983 to discontinue use of the antibrowning agent that has been linked to 13 deaths and 500 severe reactions.

The FDA rule does not apply to potatoes; FDA has indicated it will address the potato issue in a separate ruling.

Central kitchens exemption. A U.S. Department of Agriculture (USDA) ruling, which went into effect Sept. 19, 1986, removed certain restaurant central kitchens from the purview of federal meat and poultry inspection laws. The rule implemented legislation passed by Congress two years ago at the association's urging.

Commissaries that ship ready-to-eat foods to local establishments—whether in state or out of state—owned by the same person or persons are no longer subject to cumbersome federal requirements. Reversing its own earlier proposal, USDA agreed with the National Restaurant Association in the final rule that "hot foods" should be permitted to be chilled during transportation and then reheated at the restaurant.

Fast food labeling. In September 1986, FDA became the second federal agency to reject the idea of mandatory ingredient labeling for packaged fast foods. The Center for Science in the Public Interest (CSPI), a consumer group, had asked FDA and USDA to begin enforcing fast food labeling, which CSPI claims is required by current law.

FDA agreed with the National Restaurant Association's arguments that fast food labeling is impractical and unenforceable. FDA officials outlined their reservations before key congressional staffers currently dealing with mandatory labeling legislation.

Magnetic media filing. The Internal Revenue Service ruled that large employers must file Forms W-2 and 8027 on magnetic tapes or diskettes beginning with the 1986 tax year. The ruling applies to employers who filed at least 500 W-2s or 8027s last April or who expect to file 250 or more of either form for the 1986 tax year.

—Denise Roach

1986 foodservice legal update

by Robert Alan Palmer

Liquor liability and employment matters continued to dominate hospitality operators' legal concerns in 1986. The liability picture improved substantially in many states, but the United States Supreme Court issued its first ruling in a sexual harassment case. Other issues in this year's legal picture included AIDS, exempt managers and customer safety.

Liquor liability

Continuing the trend of recent years, the supreme courts of Texas and Oklahoma and a federal court interpreting West Virginia law, all recognized for the first time common law negligence claims arising from commercial liquor service in those three states. The rationale was the increased social cost of drunk driving. "It is up to the civil courts to change concepts of duty as social conditions change," said the Texas court, while the Oklahoma jurists felt that to retain the old rule of non-liability would be "unrealistic" and "inconsistent with modern tort theories."

However, courts in the District of Columbia, Arkansas and Kansas reached the opposite conclusion in cases heard this year. None of these jurisdictions has dram shop laws, and their courts were unwilling to second-guess legislators who had not seen fit to pass such laws.

But if the judicial results in liquor liability were mixed in 1986, the state legislatures were voting on the side of liquor licensees in greater numbers than in any recent year. Spurred by a giant insurance industry push for reform and by the efforts of hospitality operators and other businesspeople with similar liability insurance problems, some 20 or so states passed laws aimed at improving defenses in liability suits. Some of the laws targeted alcohol-server cases specifically; others included liquor suits in larger reform efforts.

The major thrusts:

☐ **Dollar caps on defendants' liability.** Colorado, New Mexico and Utah this year set ceilings on the amounts plaintiffs may recover in liquor liability suits. Several other states adopted the more common approach of capping only non-economic damages, such as pain and suffering, but applied such caps in all personal injury actions, not just liquor cases. The insurance industry claims that overly generous dollar awards for such intangibles are a major part of today's insurance problem, and legislators seem more comfortable limiting non-economic damages than they are setting caps that might prevent a plaintiff from recovering large amounts of medical expenses or lost earnings.

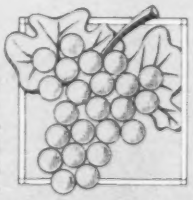
☐ **Elimination or limitation of joint and several liability.** This is a response to the "deep pocket" dilemma of business operators who are only slightly at fault but end up paying the bulk of any damage award. By eliminating the joint liability doctrine traditionally applied to personal injury cases, legislators in a number of states tied the amount a plaintiff could recover from a negligent party to the amount of fault actually allocated to that individual or business. The effect, for prudent sellers of alcohol, should be to reduce potential liability. California adopted this approach in 1986 by voter initiative, rather than legislative action, indicating that many citizens are ready to understand the financial unfairness of joint and several liability and to support changes in the policy.

☐ **Restricting liability to alcohol-service situations involving minors or intoxicated individuals.** Many state dram shop laws already have this limitation, but negligence actions in non-dram shop states have gone far beyond the idea that an operator should be held responsible only when knowingly serving a minor or intoxicated person. This type of provision was popular with legislators in 1986 and should continue to appeal to states which have moved too far in the direction of liability without proof of obvious or visible intoxication. A few states passed even more favorable limitations this year, eliminating all liability for service to adults.

☐ **Establishing a "responsible practices" defense.** A small number of states have written into law the idea that a sued establishment may enter evidence of

Robert Alan Palmer is legal counsel for the National Restaurant Association.

TASTE THE BEST
THE MONTEREY WINE FESTIVAL



Set among the beautiful rolling hills of the Monterey Peninsula the Monterey Wine Festival is an easy and elegant, educational and rewarding experience. The premier wine event in America.

Come taste and enjoy 800 of California's most spectacular wines. Discover new vintages, meet and hear the winemasters and other noted authorities from the world of wine and food.

Round out your visit by sightseeing along Big Sur, take the 17-mile drive through Pebble Beach and discover the marvelous restaurants and shops of Monterey and Carmel.

The Monterey Wine Festival, the three most valuable days of your year.

THE MONTEREY WINE FESTIVAL
Vintage '87 March 8-11

For registration information write or call:
National Restaurant Association, 150 N. Michigan Ave., Suite 2000
Chicago, Illinois 60601 (312) 853-2525 or 800-247-4448

server training or other good practices as a defense in a liquor liability action. Almost all courts would give some weight to such practices, even in the absence of a specific legislative mandate to do so. Server training and other defensive techniques, such as designated-driver programs, will continue to be an important part of any hospitality operator's risk management program. And, this year, Utah joined Oregon in establishing server training, beginning in 1987.

☐ **Insurance reform.** Though actively campaigning for liquor liability changes, insurance companies caution that the adoption of such changes will not result in immediate premium reductions. These new laws have to exist for some time and survive court challenges before insurers feel assured enough to reduce premiums.

This indirect approach to cutting insurance costs was not enough for the Florida legislature, which passed a sweeping law mandating premium rollbacks and giving state regulators increased power over rate setting. If the Florida law holds up, it will trigger a wave of similar bills in other states. The insurance companies have, of course, challenged the new Florida law in court.

Sexual harassment

The United States Supreme Court this year heard its first sexual harassment case. The Court's opinion surprised many by greatly expanding plaintiffs' rights in this area, especially since the author of the opinion was Justice Rehnquist, who is now more than ever accused of being too conservative.

The case, *Meritor Savings Bank v. Vinson*, involved a female bank employee who submitted to her supervisor's sexual advances on numerous occasions, thereafter receiving several substantial promotions. The parties stipulated that the promotions were based on merit alone, but, in the minds of many, the plaintiff had little to complain about, having "consented" to the sexual relationship and suffering no negative job consequences.

Not so, said Justice Rehnquist. A harassment victim need not show that he/she was fired or demoted or rejected for promotion. The mere fact that the harassment was "unwelcome" is the determining factor, and harassment that creates a hostile or threatening work environment is just as actionable as harassment that requires submission in exchange for job retention or promotion.

Another issue in *Vinson* was notice—the plaintiff failed to complain to higher-ups within the company—but even that was not fatal to her claim in the Supreme Court. Though the justices avoided establishing a single rule applicable to all situations of harassment by supervisors or executives, the opinion noted that such employees are management and, as such, represent their employer. Therefore, at least in some cases, the employer may be held responsible for harassment by supervisors, even in the absence of a complaint.

The Supreme Court affirmed that sexual harassment violates federal anti-discrimination law just as does a refusal to hire or promote based on a person's sex. The result is that all employers should be increasingly aware of potential harassment problems, provide avenues for complaints, investigate all charges and discipline those employees found to have committed harassment.

The publicity surrounding a case such as *Vinson* makes employees more aware of their rights and should impress most employees (particularly supervisors) with the fact that harassment is not permissible in the workplace.

AIDS

The AIDS (Acquired Immune Deficiency Syndrome) issue, which took center stage in 1985, turned into a smaller legal issue in 1986. Civil rights enforcement agencies in some 30 states have declared AIDS to be a protected handicap under their state's laws. This means that employees with positive blood tests, AIDS-related conditions or even AIDS itself are to be retained as long as they can continue to perform their jobs. A Massachusetts court has recently confirmed this interpretation of that state's handicap discrimination law.

The U.S. Justice Department ruling that allows discrimination if based on "fear of contagion" applies only to government contractors under the Federal Rehabilitation Act. The ruling has been roundly attacked on legal and medical grounds and shows no sign of being adopted by state civil rights agencies as a guide for interpreting state handicap laws. Employers are still advised to treat AIDS-afflicted employees as they would those with any other handicap.

Exempt managers

The National Restaurant Association outlined changes that should be made in Department of Labor (DOL) "exempt manager" regulations in a statement submitted to DOL early this year. Current rules exempt employees paid at least $155 per week if they meet five "duties and responsibilities" criteria; those earning at least $250 per week are subject to similar, but fewer, tests.

Under the association's proposal, an employee need not meet a salary test to be exempt if he/she performs duties included in the current tests (if they are to be retained) or an association-proposed "supervisor" test based on the National Labor Relations Act definition of that term. Also proposed was retention of the so-called "high salary" test, with employees exempted if they are paid a particular amount and meet the current "primary duty" test or any of the duties in the proposed "supervisor" test.

Proposed regulations are now being drafted by the Department of Labor, possibly to be released by the end of 1986.

Customer safety

The National Restaurant Association filed a friend-of-the-court brief in a Colorado case (*Lannon v. Taco Bell*) that may decide to what extent a foodservice operator or other retailer is obligated to post armed security guards on premises as a crime deterrent. Two Colorado courts have thus far held that businesses may have such a duty if previous incidents in the store or area indicate a crime problem. Courts in a few other states have rendered similar decisions.

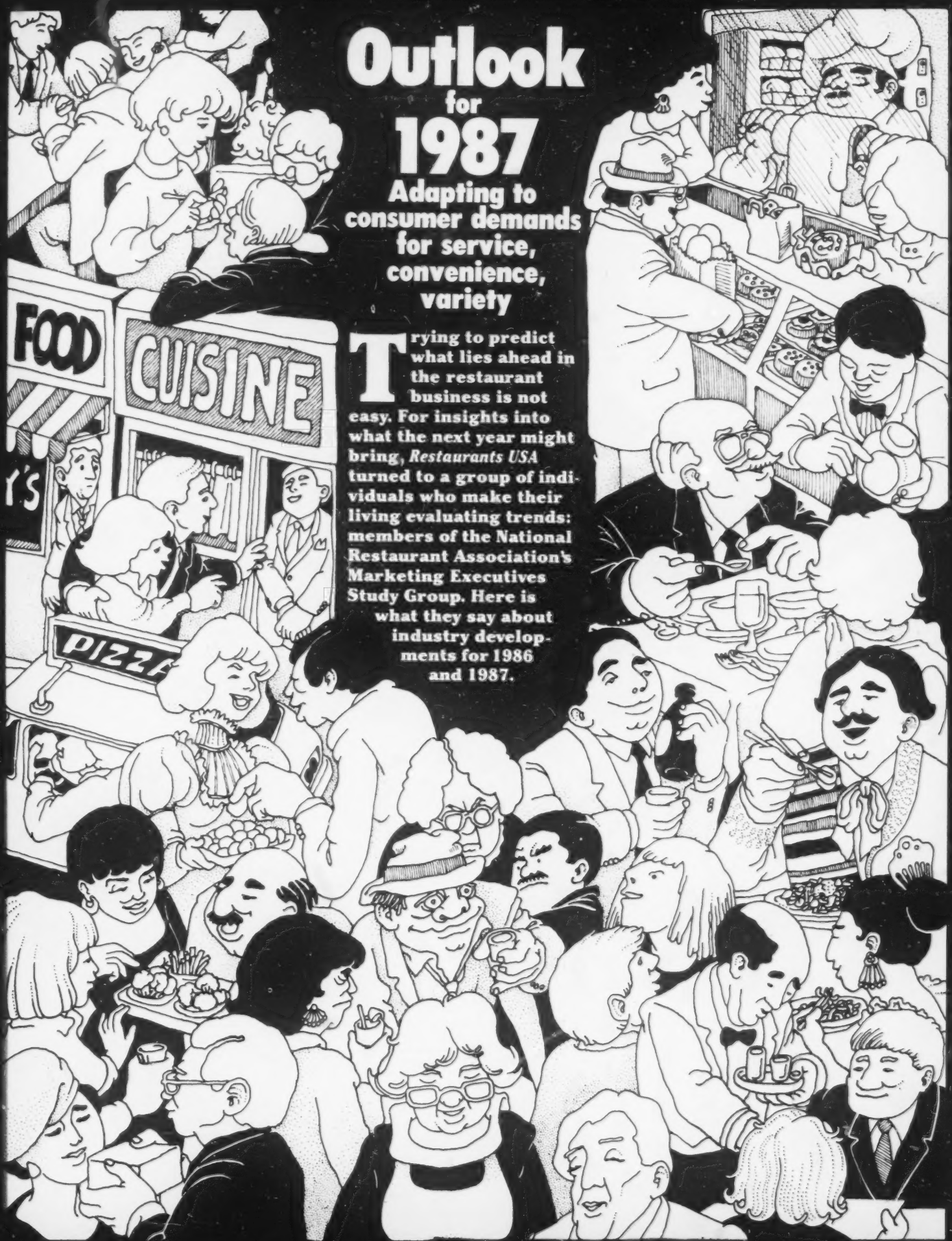
The association brief to the Colorado Supreme Court, which is hearing the appeal of this case, asks the court to reject this expansion of liability. A decision is expected shortly.

Editor's note: *Copies of dram shop and tort reform laws passed in 1986 during state legislative sessions are available from the National Restaurant Association's state relations department in Washington, DC.*

Outlook for 1987

Adapting to consumer demands for service, convenience, variety

Trying to predict what lies ahead in the restaurant business is not easy. For insights into what the next year might bring, *Restaurants USA* turned to a group of individuals who make their living evaluating trends: members of the National Restaurant Association's Marketing Executives Study Group. Here is what they say about industry developments for 1986 and 1987.



Upgraded service is critical

No other restaurant trend stood out so universally in 1986 as the industry's efforts to bring back top-notch service. This trend has taken many forms: from some restaurants returning to a good basics program (new controls to assure high quality food and service) to others adding better benefits and incentives programs to tell employees they are important.

"Customers just will not come back without good service," says Rick Cassara, director of marketing for the Stouffer Restaurant Company in Solon, OH, and chairman of the National Restaurant Association's Marketing Executives Study Group. "And," he adds, "poor service could just be employee indifference."

"You have to put more emphasis on people than on your product," concurs Greg Kaplan, regional marketing manager, Wendy's International, Inc., in Oakbrook Terrace, IL. "People can get good food anywhere today. That is why you must provide them with the exceptional experience. Until you turn that customer into a *guest*, you have no loyal base; and what achieves the loyal base is people, not product."

Even in the limited service segment of the business, service is changing. "At Chuck E. Cheese, we were unconsciously doing everything we could to make our experience unpleasant for adults. To let them know their order was ready, we flashed the ticket number on a TV screen, and they had to run to another room to get the order, leaving their children unattended," explains Dick Houston, executive vice president and director of marketing for Show Biz Pizza Time, Inc., in Irving, TX. "Now, we offer semiservice: A server brings the order to the table. We also added unlimited free drinks at a self-service drink area for the same reason, so customers don't have to wait in yet another line."

Efforts to reduce employee turnover go hand in hand with upgraded service. "Whatever it takes to keep good employees—if it is paying them better or giving them more training—we will have to do it to stay viable," notes Cassara.

Older, retired workers are an untapped resource to relieve labor shortages. Jan Schwartz, regional marketing manager for Jack-In-The-Box in San Diego, CA, sees many positive reasons for employing seniors. "The older, retired employees may be happier with their work since they have already proved themselves in an earlier career."

Off-premises consumption

Almost as important as service are ef-

Home delivery took off in 1986

More than just pizza

By car or by van, on foot or by air, home delivery took off in 1986. An increased demand for convenience, combined with the growing popularity of videocassette recorders and other home entertainment, has made delivery the option of choice for millions of consumers. The National Restaurant Association estimates that 40 percent of all restaurant meals are eaten off-premises—with home delivery accounting for a steadily growing share of that percentage.

More than just pizza

Pizza is the first food item that comes to mind when tracking the booming delivery trend—and it should be. An association survey reveals that nearly one out of two consumers enjoyed the convenience of pizza delivery during the first three months of 1986. But the real news this year has been the phenomenal increase in delivery of non-traditional items.

"People at home want more than just pizza, just as people sending out for food at business meetings want more than just chicken salad on rye with a side of cole slaw," says Barry Wine, whose delivery service, Lunchbox Clubbe & Kerryout, began this year as an offshoot of his Casual Quilted Giraffe restaurant in New York, NY.

Wine's service is riding the crest of one of the hottest, non-traditional delivery trends—gourmet delivery. "We're located in the heart of New York's 'investment banker' territory," he says, "so we cater mostly to business groups. These people are willing to pay for quality food." The menu at Lunchbox Clubbe & Kerryout includes such dishes as *Filet of beef, Confit of duck* and *Chicken poached with mustard sauce.* Items are delivered either in disposable packaging or, for regular customers, in elegant, reusable lacquer boxes.

Suzy Wong's, an upscale Chinese restaurant in Chicago, IL, is also meeting success with its gourmet delivery service. The traditional image of Chinese food—chicken chow mein, egg rolls and fried rice—is defied by Suzy Wong's eclectic menu. Residents of Chicago's Lincoln Park area are able to feast on such exotic items as *Filet mignon sauteed with orange slices and hot peppers, Szechwan lobster* or *Mandarin steamed walleyed pike*—all delivered right to their doorsteps. "It's home delivery with a touch of class," says general manager Michael Purich.

Other non-traditional items that are making it big on the delivery circuit are

forts to meet the convenience needs of two-wage-earner families, singles and other segments. Burgeoning carry-out and delivery options have been the result. Stouffer's J.B. Winberry's restaurants, for example, added carry out in 1986, and the move has been a huge success. "We offer call-ahead orders so customers can call from work and then stop by on the way out of the office," says Cassara.

Take-out customers seem to be most attracted by foods that offer high quality at reasonable prices, say marketers, but the food does not have to be boring. It should, however, be carefully packaged. Upscale Italian entrees, soups, salads, ribs and regional specialties have all been part of the take-out boom. Since the purchase of videocassette recorders is skyrocketing, it may be that in the future the carry-out or delivery operator may provide the movie as well as the food.

Many types of operators—from fried chicken establishments to upscale continental restaurants—are experimenting with delivery. Some have a minimum order requirement, and some assess a charge for the service. In the pizza sector, delivery has become a standard feature. Pizza Hut recently announced it was beefing up its delivery training with 10 video programs for employees.

Study group members warn, however, that adding carry out and or delivery can be the wrong move for some operations. Carry-out and delivery options are for businesses that are doing well—not for those with problems. "If you are in need of other improvements first—better service, better food or insufficient sales—you might be putting the effort in the wrong direction and losing focus," warns Houston. "If you are at capacity, however, carry out and delivery are excellent ways to expand."

Another option to increase off-premises consumption of a restaurant's items is the retail sale of specialties—whether baked goods, bottled dressings or signature spices. Some items are sold within the restaurant itself; others are marketed on grocery shelves from coast to coast.

Interest in fresh food continues

A trend that has been evident for several years—but continued strong in 1986—was emphasis on "fresh or healthy" food. Good sellers in 1986 were chicken, seafood, grilled foods and marinated dishes. Hot salads—those served with various hot meats or seafood—were also strong in 1986.

Kaplan of Wendy's notes, however, that not everyone wants these items, and they are not appropriate for every segment. "As far as fresh fast food, I don't think people care. A fresh beef barbecued rib (Tony Roma's began testing delivery in some units this year and has met with initial success, says a spokesman), fast food items from such industry giants as Burger King and Arby's, and ice cream. In fact, the ice cream delivery service at one Chicago-area operation is credited with keeping the business alive during the winter months. "We're not exactly a destination stop in January or February," says Jerry Isaacson, president of Wizard's, an 18-unit ice cream chain. "Delivery is our best method for maintaining sales during that period."

Innovative delivery methods

The proliferation of delivery services in 1986 has also meant the development of innovative and efficient methods for transporting foods. A state-of-the-art example is the system launched this year by Wichita, KS-based Pizza Hut. Pizza Hut has set up a central number in each city where delivery service is offered. Calls are immediately routed to the closest delivery unit where orders are taken. Pizzas are then loaded onto specially equipped vans and are cooked en route to customers' homes to ensure maximum freshness.

Self-contained mobile units are proving efficient for such companies as Burger King, Arby's and Kentucky Fried Chicken. Typical units include such features as gas or convection ovens, a generator, a walk-in freezer, sinks and a lighted menu board on the outside. These units then double as delivery vehicles and as mini-units. They are either driven to customers' homes or parked at high-traffic areas, such as near office buildings or outside events.

"Shore to Door in 24" is the slogan used by Legal Sea Foods (Boston, MA) to describe its innovative service. Legal Sea Foods, well-known for the fresh seafood available at its five Boston-area restaurants, now delivers seafood via air within 24 hours to anywhere in the country. Customers place orders through mail-order catalogues, which are available on request.

"Speed is crucial when delivering fresh fish, so we only use commercial express-mail services which guarantee overnight delivery," explains mail-order manager John Sharples. "In the case of lobster or clams, we'll even ship them live. We're probably the only home-delivery service in the country that delivers live products."

And a restaurant in Ventura, CA, has found the perfect delivery method for appealing to an upscale market. Milano's Restaurant, located on the water near a marina, operates a small speedboat to deliver pizza to neighboring yachts.

Getting others to do the job

Finally, even some operations that are neither equipped nor inclined to handle home delivery are contracting others to operate the service for them. One such "service which provides service" is EatOutIn, a company that delivers food for restaurants in the Austin, TX, area.

"My husband, Al, and I were busy people who ordered out a lot, but pizza was our only option," explains EatOutIn co-founder Jackie Davies. So Davies approached five area restaurants which featured different types of cuisines—Chinese, Italian, Tex-Mex, American and upscale continental—and arranged to set up a central delivery service. Customers simply call EatOutIn's central number and order from the menus of any of the five establishments. EatOutIn calls the restaurant, relays the order, picks up the food and delivers it to the customer.

"The restaurants benefit from the additional orders, and customers benefit from the additional options," says Davies. ❑

—Anne Papa

pattie versus a frozen one doesn't really matter to consumers as much as one might think. However, in the upscale, specialty market, this may be different. And we may be talking about the same customers. At lunch, they don't worry about fresh, but, if they are spending a little more money at dinner, it becomes very important," he says.

A by-product of the interest in fresh food are display kitchens which demonstrate freshness to the public. They have become a common feature in operations of all types—from fine dining restaurants to specialty bakeries.

New methods of cooking

The Cajun style of "blackened" cooking is enhancing menus from Maine to California. Cassara of the Stouffer Company believes the trend to adopt regional or ethnic foods will continue. "I think it is a trend we'll see more of. For example, Cajun cooking has been around for 200 years or better, yet in 1986 it became the fad." Schwartz agrees and adds, "I think other regional methods of American cooking, as they are noted, will become just as familiar in future years. I think it will take the form of 'going national' with a regional cooking style, such as California cuisine, Southwest cuisine or Caribbean cuisine."

Along the same line, there is a growing willingness for many restaurants to include ethnic dishes on their menus. Members of the study group see Middle Eastern and other Far Eastern foods being added to menus in the same way. Also popular is adding freshly baked breads.

Interest in social meals, finger foods continues

The idea of sampling caught on very strongly in 1986, although some upscale establishments built exclusively around appetizers have not done as well as they expected. Tapas bars, however, are an example of one type of grazing experience that has thrived since these operations offer the combination of adventurous flavors and a fun environment. "With people eating out three, four and five times a week, they want to experiment, meet and congregate in a social environment," says Cassara. "I see the trend to order several appetizers with a bottle of wine continuing."

An outgrowth of social food is creative finger food. Chicken nuggets, for example, are obviously here to stay.

As chains add new products, they evaluate them for their finger-food convenience. "This past year we introduced a pizza pocket, which is a small, folded pizza that can be easily eaten on the run without silverware," says Schwartz of Jack-In-The-Box. Even in the breakfast market, convenience continues to play an important role. For example, this fall, Burger King rolled out *French Toast Sticks*, a portable version of the breakfast favorite.

Alcohol awareness remains strong concern

At the same time that the public has taken a great interest in fun foods, it has shifted its focus away from drinking. Study group members agree that the alcohol awareness trend will continue strong in 1987 and that most operators will combine some sort of food service with bar service. Says Roberta Perry, vice president of Marketing for Edwards Technologies, El Segundo, CA, "I believe the trend that developed in 1986 for happy hour menus, late night menus and cafe menus will continue strong into 1987." This surge in food in the bar may lead to more off-peak business.

Perry notes that there has been an upscaling of drinks. As patrons cut the number of drinks they imbibe, they are willing to pay more per drink. The selection of premium vintage wines has increased on many menus. Also, as per capita consumption of alcohol has declined, the number of fancy non-alcoholic beverages has grown.

Upscaling: targeting sophisticated eaters

A growing number of traditional menu items are also rapidly being upscaled into impressive gourmet versions to appeal to the more affluent and sophisticated consumer. Even the once lowly hot dog has been knighted with many exotic toppings. Accompanying menu repositioning are decor changes in all sectors.

Several study group members warn, however, that although upscaling is a trend, it is not necessarily appropriate for every operation. Operators should not abandon their customer base, they warn. That is why an operator must be precise about the restaurant's mission statement, that is, what the restaurant hopes to accomplish for its target market.

Nostalgia is catching on

Nostalgia—a return to the familiar foods of earlier decades—has caught on with a sophisticated twist as seen in the new crop of diners. "I don't know if the nostalgic restaurant will last five years, but now it's in," says Schwartz.

Marketers say that customers yearn for a simpler time, yet with all the modern conveniences. Many have observed that the 60-plus crowd has a definite preference for the comfortable and secure.

Customer loyalty is eroding

Several marketers pointed out that customer loyalty is declining. Clyde Thompson of Restaurateur, Inc. in Richmond, VA, notes that in his research 28 percent of those surveyed cannot name a favorite restaurant. "Ten years ago there was no such statistic," he says. There are many possible reasons why this is happening, but study group members focused on only a few. It could be that the market is saturated with so many restaurants that it is difficult for customers to name just one favorite, they speculate. "It could be they have many favorite restaurants, depending on what meal occasion or category of eating out. They may have a favorite lunch restaurant, a favorite breakfast restaurant and a favorite restaurant to go to for a birthday," says Schwartz.

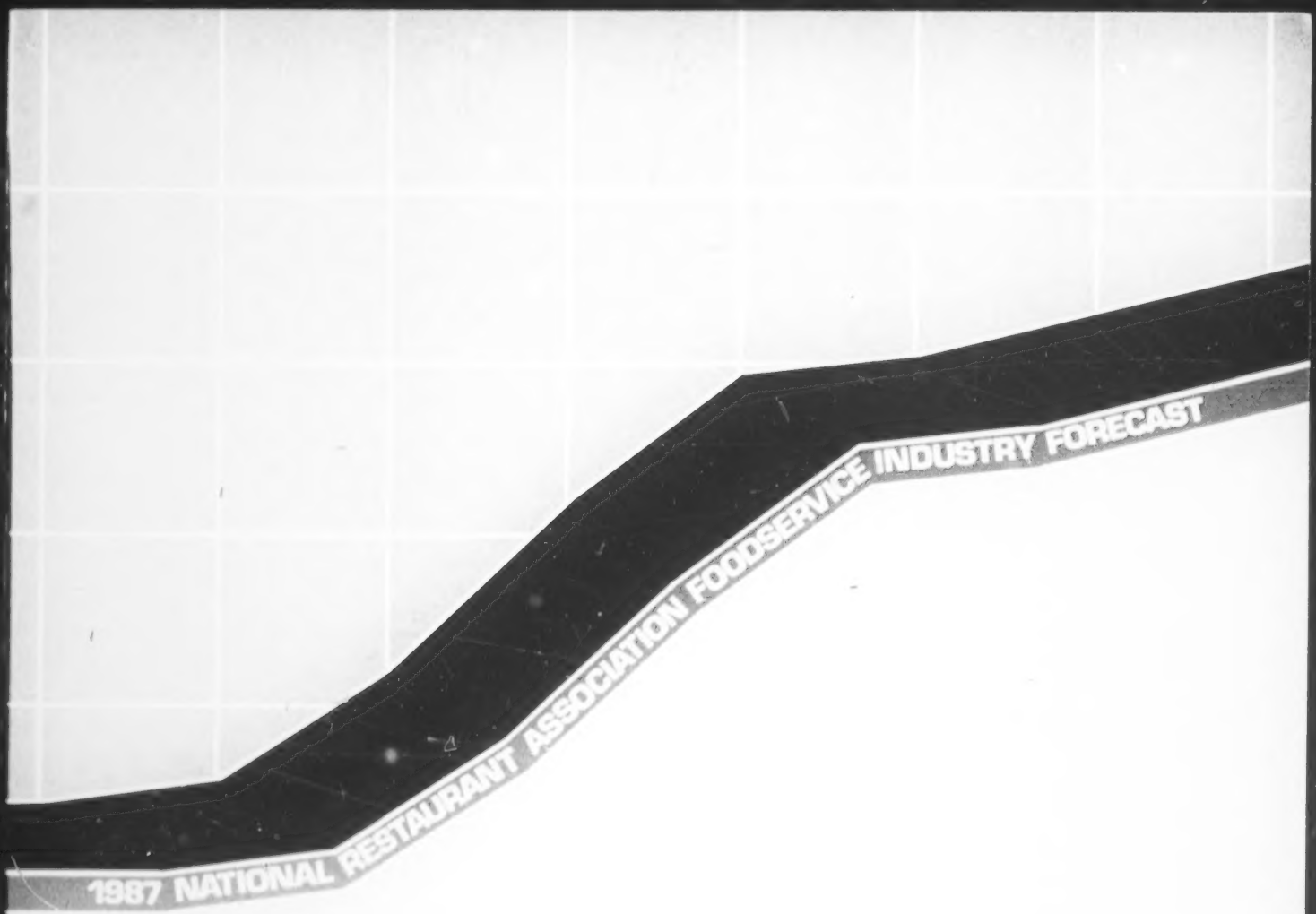
Affluent 50-plus market

As the 50-plus age group grows in affluence and numbers, more marketers are taking note of their desires. "They are a strong, loyal market once you've got them," notes Kaplan, "and, best of all, they eat when you like them to eat, when you are not crowded."

In sum

In 1986, growth came not from construction of new units, but from within, such as new menu items, extended hours and/or more attentive service as well as foods marketed for off-premises consumption. Because the industry is fairly well saturated, this direction should continue in 1987. ❑

—Kathy Boyle



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1987 Forecast highlights

The industry has entered a more mature phase wherein annual percent growth is unlikely to be dramatic but the absolute dollar increase is still substantial.

The industry is heading for its seventh consecutive year of real growth.

□ **Foodservice industry sales** are projected to reach $197.5 billion in 1987—an increase of 6.4 percent over 1986.

□ **Real sales,** adjusted for inflation, should rise 2.4 percent—slightly lower than the 2.7 percent real gain of 1986.

□ The **Commercial Foodservice Group** should post the strongest gains in the industry. Sales should reach $174.1 billion in 1987—up 6.8 percent. Adjusted for inflation, this represents a real gain of 2.8 percent.

□ Real sales for the **Institutional Foodservice Group** are expected to decline 1.1 percent next year.

□ **Eating place sales** are forecast to reach $127.1 billion, a 2.8 percent real increase over 1986.

□ **Fast food restaurants** in 1987 will continue to outpace the industry average for real growth, posting a 3.5 percent increase over last year. Total limited menu restaurant sales will reach $54.2 billion.

□ The largest real gain in the industry will occur in the **retail host restaurant sector**—up an impressive 9.8 percent to $8.1 billion.

□ For the third straight year, **transportation foodservice sales** are projected to report real growth above the industry average—4.1 percent.

□ **Menu prices** will advance 4.0 percent in 1987, close to the 3.8 percent increase in 1986.

The information in this report was prepared in consultation with the research firm Malcolm M. Knapp, Inc.

Overview: The foodservice industry in 1987

The industry is preparing for its seventh straight year of real sales growth. Industry sales in 1987 are expected to total $197.5 billion, 6.4 percent above the $185.6 billion recorded in 1986. After adjusting for inflation, real sales should advance 2.4 percent, slightly below the expected 2.7 percent increase in Gross National Product (GNP).

Although the 6.4 percent growth figure is not as dramatic as those posted in earlier years, it represents a substantial $11.9 billion gain in absolute terms, roughly the equivalent of adding the entire lodging place foodservice sector in one year. The industry has entered a more mature phase wherein annual percent growth is unlikely to be dramatic, but the absolute dollar increase is still substantial. Foodservice is also in a more favorable position than many other domestic industries because its growth is not as affected by foreign competition.

Food and drink sales in the Commercial Foodservice Group are forecast to show the strongest gains in the industry in 1987, advancing a substantial 6.8 percent to $174.1 billion. In comparison, 1986 sales for this sector climbed at a slightly faster 7.1 percent. In inflation-adjusted dollars, sales for the Commercial Foodservice Group are projected to rise 2.8 percent next year.

Institutional Foodservice is forecast to post sales of $22.4 billion in 1987, up a modest 2.9 percent over sales of $21.8 billion in 1986. After adjusting for inflation, this represents a 1.1 percent decrease in sales, the same amount of decrease which occurred in 1986. The decline reflects both the increasing success of foodservice contractors who have moved into the market and the decline in the populations served.

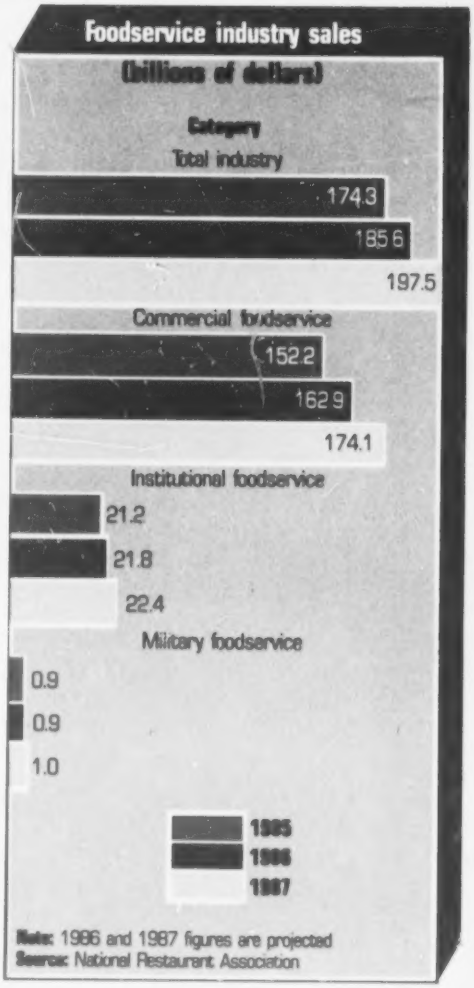
Sales in Military Foodservice are expected to advance in 1987, rising 6.6 percent to $1.0 billion. This increase is somewhat less than the 7.0 percent gain recorded in 1986. After adjusting for inflation, real sales are expected to advance 2.6 percent in 1987, down from the 3.2 percent real growth experienced in 1986.

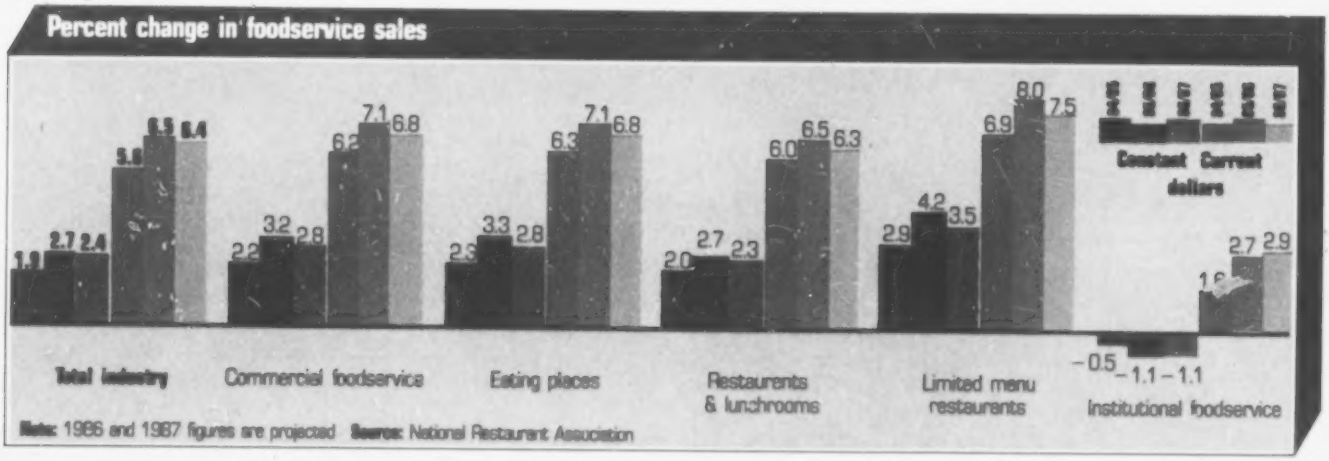
Menu prices are expected to increase by 4.0 percent in 1987, similar to the 3.8 percent gain estimated for 1986. Although the cost of doing business will increase at a faster pace next year because of higher wholesale prices, increased competition should help to hold down overall menu price increases.

Wholesale food prices are expected to rise 3.4 percent in 1987, well above the 1.6 percent gain estimated for this year. A contributing factor is declining red meat production. This means that beef and pork will, on average, cost more next year. However, increased poultry supplies may temper price gains for red meats and keep poultry prices below 1986 levels.

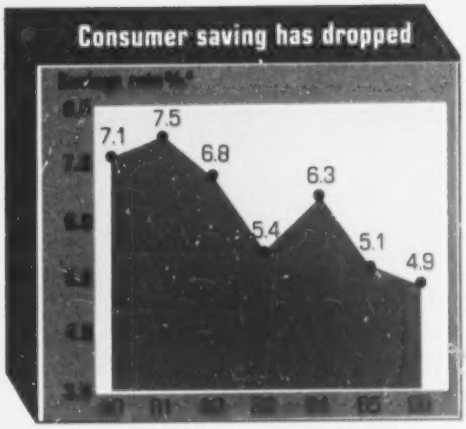
Labor costs are expected to rise 3.6 percent in 1987, compared to an estimated 3.4 percent increase for 1986. Labor costs will be influenced by regional labor shortages and minimum wage increases in several states. Rising benefit costs are also a factor as operators improve benefit plans to attract and retain employees.

Other costs should keep pace with the overall inflation rate in 1987, rising 3.2 percent compared to a more modest 1.9 percent gain in 1986. Although oil and gas prices are down, electricity prices have not declined and are a contributing factor to restaurant overhead. In addition, cost increases are expected for insurance and advertising.





2 The economy



As a percent of disposable personal income
Source: Department of Commerce Bureau of Economic Analysis, Blue Chip Economic Forecast

Source: Board of Governors of the Federal Reserve System

Expected percentage change in tax liability by income classification

Annual income classification	1987	1988
Less than $10,000	−57.2%	−65.1%
$10,000–$19,999	−16.7	−22.3
$20,000–$29,999	−10.8	−9.8
$30,000–$39,999	−9.4	−7.7
$40,000–$49,999	−9.2	−9.1
$50,000–$74,999	−1.0	−1.8
$75,000–$99,999	4.3	−1.2
$100,000–$199,999	4.6	−2.2
$200,000 and above	9.8	−2.4
Total	−2.2%	−8.1%

Source: Joint Committee on Taxation

Since economic factors play a critical role in shaping the foodservice industry's performance, it is important to be aware of how the economy has performed and where it is expected to head in the next year.

1986 economic highlights

The rate of U.S. economic growth declined slightly in 1986 from its 1985 levels. In 1986, the Gross National Product (GNP) advanced a steady 2.6 percent, after adjusting for inflation, compared to the 2.7 percent real growth experienced in 1985.

Consumer spending continued to drive economic expansion in 1986. Real disposable personal income posted a gain of 3.6 percent in 1986, compared to a 1.4 percent increase in 1985. Consumers stepped up their purchases of both durable and non-durable items, spending a healthy real increase of 3.8 percent and 4.3 percent, respectively. This increased spending was funded by consumers boosting their debt load, which resulted in a cash pinch for these individuals. Accordingly, consumer confidence continued its decline in 1986 as increased levels of installment credit made consumers more cautious about the economic climate ahead. The savings rate also continued to drop in 1986, down to 4.9 percent of personal disposable income, compared to 5.1 percent in 1985. The savings rate for Americans has fallen steadily since 1981 when it stood at 7.5 percent.

Inflation continued to moderate in 1986. As measured by the Consumer Price Index (CPI), inflation rose a low 1.9 percent compared to an increase of 3.6 percent in 1985. Lower oil prices, combined with the decline of the dollar in international markets, boosted real purchasing power. Unemployment remained high by historical standards at 7.0 percent, even though the civilian labor force continued to grow. This larger work force, coupled with increased consumer spending, fueled U.S. economic growth in 1986.

Economic growth to continue in 1987

The *Blue Chip Economic Indicators* (October 1986), a consensus forecast of projections for key economic variables by 52 top economists, predicts that economic growth in 1987 will continue at a steady but unspectacular pace. Real GNP gains of 2.7 percent are expected in 1987, compared to the 2.6 percent increase recorded in 1986. The current period of U.S. economic expansion started in late 1982, and its continuation through 1987 would make this growth period the longest in American history. Increases in consumer spending will be a key ingredient to economic growth in 1987. Generally, an expanding economy correlates with growth in the restaurant industry.

The rate of increase in disposable income is an indicator of restaurant industry performance. In general, as the rate of change in disposable income rises or falls, similar behavior is observed for restaurant sales. Although the effect of the new tax reform bill is still uncertain, real disposable personal income is forecast to advance 2.8 percent in 1987, compared to the 3.6 percent increase recorded in 1986.

Inflation, as measured by the CPI, is expected to pick up in 1987, reaching 3.2 percent, compared to 1.9 percent in 1986. The declining value of the dollar abroad and increased labor costs should help to fuel the increase.

Other factors will also have an effect on the restaurant industry. Despite personal income gains, the cash available for purchasing non-durable goods and services, such as restaurant meals, has decreased because consumers have purchased cars and other large-ticket durable goods. As a result, consumer installment credit reached a record $567.7 billion in June 1986.

With a smaller increase in disposable personal income next year, consumers are expected to slow their purchases of durable goods. Real durable goods purchases are expected to increase only 2.8 percent in 1987, compared to the 3.8 percent advance posted in 1986. In addition, non-durable goods consumption is expected to show real growth of 2.6 percent in 1987, versus the 4.3 percent increase for 1986.

U.S. industrial production in 1987 is forecast to increase 2.8 percent, up from the 0.9 percent gain achieved in 1986. With this increased production, the civilian unemployment rate is expected to decrease slightly to 6.8 percent in 1987. In addition, civilian employment should grow by 1.7 million individuals in 1987. Housing starts are expected to remain at 1.8 million units in 1987, and car sales (domestic and imports) should fall from 11.1 million units in 1986 to 10.8 million units in 1987.

Tax reform

The Tax Reform Act of 1986 will alter the basic rules by which consumers spend, save, invest and borrow. By the time the new tax rates are fully phased in at the beginning of 1988, most individual taxpayers are expected to be paying less tax. On average, according to the Joint Committee on Taxation, taxpayers should receive a 2.2 percent federal income tax reduction in 1987 and a 6.1 percent decrease in their 1988 tax liabilities.

The tax reform bill has introduced an air of uncertainty and confusion in the 1987 economy. Its modest tax breaks will not match the losses incurred on the state and local levels from the elimination of various deductions. Thirty-four states and the District of Columbia tie their income taxes to the federal system; accordingly, federal tax reform is expected to increase state income taxes and decrease savings from the federal tax cut unless various state legislatures act to cut their revenue windfall. Consequently, consumer spending could tighten up more than expected until the ramifications of tax reform are more clearly defined.

The Tax Reform Act of 1986 offsets the decreases in individual tax rates with increases in the total tax collected from the business segment. The effective tax rate for all corporations, despite a reduction in the top rate, is actually expected to rise 8.0 percent after the elimination of various deductions and credits. This effective increase in business taxes is expected to be a drag on business profits, especially in capital-intensive industries.

Legislative and regulatory issues

In 1987, the foodservice industry will face a variety of legislative and regulatory challenges at the federal, state and local levels.

At the federal level. 1987 promises to be an important year for labor issues, particularly at the federal level. A proposal to raise the federal minimum wage to 50 percent of the average manufacturing wage will be introduced early in the next Congress. In addition, more and more legislation will propose that mandated employee benefits be paid by the employer.

In view of the deficit, Congress is also expected to look at ways to generate additional revenue, such as a value-added tax, a business transfer tax or an increase in the personal income tax. User fees for such services as United States Department of Agriculture (USDA) inspections may also be imposed, transferring the cost to business.

Fast food ingredient labeling legislation went nowhere in the 99th Congress. However, it is expected to be reintroduced in some form during the next Congressional session.

Other possible upcoming issues include

- restricted use of the polygraph
- federal tort reform to eliminate punitive damages and establish uniform standards for liability and
- alcohol warning labels on beverage containers.

At the state and local levels. California, Texas and New York have been the strongest advocates of mandatory ingredient disclosure in restaurant operations. Locally, some cities and towns have taken matters in their own hands. The San Francisco Board of Supervisors has passed an ordinance requiring San Francisco fast food establishments to make ingredient and nutrition information for menu items readily available to their customers. In Joliet, IL, foodservice establishments are required to post a sign listing the type of fat used in cooking. It is speculated that other localities may follow suit.

Other state and local issues include

- minimum wage increases
- smoking/non-smoking regulations, known as clean indoor air legislation
- packaging restrictions or taxes to curb litter and enhance sanitation
- extension of sales taxes to advertising
- tort law reform and
- dram shop legislation to protect servers.

The labor situation

The need for employees in foodservice occupations is intense. Although labor shortage problems vary by type of establishment and labor market, shortages are most acute among employers who rely heavily on teenagers.

One of the most important reasons for continuing concern about the labor supply, therefore, is the decline in the teenage population. Between 1985 and 1990, the

Percent of labor force unemployed

Metropolitan area	Percent
California	
Anaheim-Santa Ana	4.0%
Connecticut	
Hartford	3.3
New Britain	3.9
New Haven	3.7
Stamford	2.9
District of Columbia	
Washington	3.4
Florida	
Gainesville	3.2
Indiana	
Lafayette	3.8
Maine	
Portland	2.8
Massachusetts	
Boston	3.3
Lowell	3.9
Pittsfield	3.8
Worcester	3.6
Nebraska	
Lincoln	3.1
New Hampshire	
Nashua	3.5
New Jersey	
Middlesex-Somerset	3.9
Monmouth-Ocean	3.9
New York	
Poughkeepsie	3.8
North Carolina	
Raleigh-Durham	3.6
Pennsylvania	
Lancaster	3.6
Rhode Island	
Providence	3.6
South Dakota	
Rapid City	3.8
Sioux Falls	3.4
Vermont	
Burlington	3.2

Source: *Employment and Earnings*, Bureau of Labor Statistics, June 1986

number of teens 16 to 19 years of age is expected to decline by almost 7.0 percent. A low unemployment rate exacerbates the problem. Although the U.S. unemployment rate averaged 7.1 percent in June 1986, it ranged from a low of 2.9 percent in the Stamford, CT, metropolitan area to a high of 20.9 percent in the McAllen-Edinburg-Mission, TX, area. The unemployment rate was 4.0 percent or less in 24 metropolitan areas throughout the country.

3 Consumer lifestyle issues

The 1987 foodservice marketplace will be consumer driven. Consumer demands for convenience, quality, value and variety as well as their concern for nutrition are giving direction to new establishments as well as spurring repositioning by established operations.

Convenience. In recent years, convenience has become a top priority for consumers. Americans say they work more and have less leisure time. According to a Louis Harris poll sponsored by Phillip Morris, the amount of time Americans say they have for leisure declined by eight hours between 1973 and 1984. Moreover, the amount of leisure time varies among demographic groups, with those 65 years old and older having the most time and 30 to 49-year-olds having the least. Juggling careers and families means little time is left for leisure activities. Consequently, many consumers look for ways to "expand" their time to make room for their increased interest in the arts and various sporting and recreational activities.

Home-related activities. The expansion of home-oriented activities has contributed to the growth of take-out and home-delivered foods. According to a United Media Enterprises survey, eight of the 10 most popular leisure activities take place at home. In 1983, the number one pursuit was watching television. Since that time, such technological innovations as cable television, home computers/video games and videocassette recorders (VCRs) have expanded home entertainment options. In 1984, 11.0 percent of households owned a VCR. By 1985, the figure had risen to 19.0 percent.

As the number of households that own home entertainment technology rises, the need for meals requiring minimum preparation time will undoubtedly increase. Restaurateurs are responding by expanding take-out and home-delivery services. At the same time, convenience stores, grocery stores, gourmet shops and gas stations have added more extensive lines of take-out foods.

Quality and value. Today's more experienced customer has high standards for quality and is becoming more value conscious. According to a recent Gallup survey, the quality of food and service at an establishment determines whether consumers will make a return visit.

Quality is not the only influence on restaurant choices. At a time when consumers feel pinched for cash, they also look for value. On the one hand, consumers are interested in going where they can get the best deal, reflected in an increased use of promotions. CREST *Household Report* data reveal consumers used promotions on 11.1 percent of all occasions during the summer quarter of this year, a 7.0 percent increase over the same quarter of 1985.

On the other hand, there are occasions when consumers are willing to spend the extra money for a high-quality experience. The attitude on that occasion seems to be that price is no object if the quality is high. The popularity of pricey, superpremium ice creams is just one example of this phenomenon.

Health consciousness. Consumer awareness of health and nutrition remains high. Surveys show that at least one-half of the U.S. adult population claims

- to spend some time each week exercising
- to be concerned about the nutritional content of the foods they eat
- to restrict intake of foods high in fat, cholesterol, sugars and salt
- to consume foods high in fiber, calcium and complex carbohydrates
- to either drink moderately or not at all and
- to be concerned about drinking and driving.

This interest in health and nutrition is reflected in the marketplace. Cereal manufacturers are racing to increase fiber and reduce the sugar content of their products, and the public is buying more cereal than ever before. 1985 seafood consumption was at a record high—14.5 pounds per capita—and poultry consumption continues to grow steadily. Low-calorie beers are increasing their share of the beer market, and canned foods that are reduced in salt or sugar are selling well in an otherwise slug-

Items consumers are likely to try in restaurants

Item	Percent very likely to try
Fresh fruit	78%
Lean meats	64
Broiled/baked fish or seafood	63
Whole wheat breads, rolls or crackers	60
Steak or roast beef	58
Poultry without skin	47
Raw vegetable appetizer	45
Whole grain muffins	41
Vegetables seasoned with herbs or lemon juice only	36
Food cooked without salt	36
Regular soft drink	35
Fried fish/seafood	34
Low-fat cottage cheese	33
Cereal with low-fat or skim milk	33
Fried chicken	32
Reduced-calorie salad dressing	30
Diet soft drink	30
Caffeine-free soft drink	30
Whole grain pancakes/waffles	29
Caffeine-free coffee	28
Premium ice cream	28
Low-fat, low-calorie, fruit-based desserts	25
Sugar substitutes	25
Bagel/bread with low-fat cream cheese	24
Rich, gooey or chocolate dessert	22
Fruit ice/sorbet	22
Calorie-controlled entree	20
Low-cholesterol egg substitute	9

Source: *Consumer Nutrition Concerns and Restaurant Choices, Vol. I,* National Restaurant Association, 1986

gish area. Whole milk consumption continues to give way to low-fat and skim milk varieties, and reduced-calorie salad dressings and sauces are among the fastest growing products in their category.

Patrons are demanding similar choices in foodservice establishments. The National Restaurant Association's 1986 survey *Consumer Nutrition Concerns and Restaurant Choices* reveals that consumers say they are quite likely to try such non-traditional items as lean meats and poultry without skin in restaurants. The survey also reveals that restaurant patronage varies according to the degree of interest in nutrition. Diet and health-conscious consumers account for a relatively large proportion of occasions at upscale restaurants while a disproportionately large number of fast food occasions come from the less health-conscious, traditional consumer.

Diversity of taste. The popularity of specialty restaurants underscores consumer interest in different types of food. According to National Restaurant Association's *New Restaurant Concepts* study, more consumers patronized specialty restaurants during the first three months of 1986 than they did one year earlier. The concepts that made the biggest year-to-year gains were pizza delivery, barbecue and pasta. Consumers also displayed greater preference for some ethnic and regional cuisines, such as Asian fast food, Mexican-style chicken and Cajun-style cooking. Working women, 18 to 24-year-olds, college graduates and higher-income households were most likely to try specialty restaurants.

The influx of various ethnic cuisines into mainstream America has awakened a wide variety of tastes. Although the old standards—hamburgers, french fries and soft drinks—are still most popular, today's consumer wants more options. A recent Gallup survey shows 59.0 percent of consumers surveyed in 1986 say they like menus with a wide variety of selections. In contrast, just 44.0 percent were interested in varied menus one year earlier. Many of today's chefs are capitalizing on this desire by combining several cuisines to create dishes that will tempt the more adventuresome palates.

Patronage of the arts

Event	Percent patronizing 1983	1984
Movies	75%	78%
Live performance of a play musical comedy pantomime	65	67
Live performance of popular singers, bands or rock groups	53	60
Live performance of the opera or musical theatre	25	35
Live performance of classical or symphonic music by orchestras, chamber groups or soloists	28	34
Live performance of ballet or modern, folk or ethnic dance	25	34

Source: *Americans and the Arts*: Louis Harris and Associates, Inc., 1984

A new look at demographics 4

Shifts in demographics are partly responsible for changes in consumer lifestyles, which over the long term influence consumer spending for restaurant meals. Some of the key demographic trends that will continue to affect the foodservice industry in 1987 are:

Mature market. Fifty-one million Americans were 55 years old or older in 1985, and by the year 2,000, some 59 million will fall into this age group. Because of

Weekly expenditures for food away from home

Consumer segment *Annual household income*	Amount spent for food away from home	Percent of weekly food budget
Under $5,000	$ 7.41	30%
$5,000–$9,999	9.27	26
$10,000–$14,999	14.29	30
$15,000–$19,999	18.35	33
$20,000–$29,999	23.59	37
$30,000–39,999	29.20	38
$40,000 and above	41.56	43
Household composition		
Single person(s)	$15.13	42%
Husband and wife only	21.28	38
Husband and wife		
□ with oldest child under 6 years of age	20.73	32
□ with oldest child between 6 and 7 years of age	29.06	33
□ with oldest child over 18 years of age	28.85	31
Other husband and wife units	32.71	33
One parent and at least one child under 18 years of age	14.35	30

Weekly expenditures for food away from home

Age of household head	Amount spent for food away from home	Percent of weekly food budget
Under 25	$13.76	43%
25 to 34	21.39	39
35 to 44	26.99	36
45 to 54	28.60	36
55 to 64	20.44	33
65 to 74	15.55	32
Over 74	8.19	26

Source: *Consumer Expenditure Survey 1984*; Bureau of Labor Statistics, June 1986

Legal immigrants admitted to U.S. by region of birth, 1960–1984

	Percent of total immigration
1960–1969	
Europe	39%
Asia	12
Latin America	38
North America	10
Other	2
1970–1979	
Europe	19%
Asia	34
Latin America	41
North America	3
Other	3
1980–1984	
Europe	12%
Asia	48
Latin America	35
North America	2
Other	3

Source: U.S. Immigration and Naturalization Service, 1985

Changes in household composition, 1985–1995

	Number of households (in millions)		Percent change
	1985	1995	
Total households	86.8	100.3	16%
Family			
Married couple	50.3	54.9	9
Male head	2.3	2.9	26
Female head	10.2	11.9	17
Non-family			
Male head	10.2	13.6	33
Female head	14.0	16.9	21

Note: Projections based on Series B estimates
Source: U.S. Department of Commerce, Bureau of the Census, 1986

better medical care, financial planning and federal support programs, older Americans today are healthier, more active and more affluent than any other previous generation. According to the Conference Board, more than 50 percent of the nation's discretionary income is held by those 50 years old and older.

Consumer Expenditure Data, released by the Bureau of Labor Statistics, shows mature consumers have significantly increased their expenditures for restaurant meals.

Working mothers. It is no secret that the number of women in the work force has grown substantially over the past 15 years. Foodservice operators are also well aware of the effect this change has had on spending for restaurant meals. Although Bureau of Labor Statistics' projections suggest that the years when there were large increases in the number of women entering the labor force are behind us, the new shift is in the number of working women with children. Between 1980 and 1985, the number of married working mothers with preschoolers increased 22 percent. Moreover, two-thirds of married moms who work do so on a full-time basis.

The demands of juggling career and home life leave working women, especially working mothers, little time for home tasks. So convenience is a top priority, making take out and home delivery attractive options. National Restaurant Association's survey *The Take-Out Market* found that seven out of 10 of the respondents from households where the female head was employed full time said they purchased take-out foods more than twice a month.

Working women also seek variety from restaurants, and they are one of the driving forces behind the growth of specialty restaurants. National Restaurant Association research reveals working women were more likely to have patronized new restaurant concepts in the first three months of 1986 than any other demographic group.

Household composition. The composition of American households is changing. Divorces, rising numbers of young adults postponing or foregoing marriage and the increased desire of the elderly to maintain their own homes have spurred growth of non-traditional types of households. Projections from the Census Bureau suggest this trend will continue through 1995. Non-family households, headed by men, are expected to grow the fastest over the decade, increasing by 33 percent. Family households with a male head and no spouse will also expand rapidly. Households headed by females will grow at a slightly slower pace. The traditional, married-couple households will lag behind all other types—increasing by less than 10 percent by 1995.

What effect will these changes have on the foodservice industry? The growth of single-person households could mean a boost for operators because singles dine out often and spend a large portion of their food budgets on meals and snacks away from home. The increasing number of single-parent households, most of which are headed by women with relatively low incomes, suggest operators will need to offer convenience at reasonable prices to attract this segment.

Immigration. The United States continues to welcome new immigrants each year. Europeans, however, are no longer the major newcomers; today's immigrants are much more likely to be of Latin American or Asian origin. The majority of these newcomers reside in large metropolitan areas. In 1984, 193,500 Hispanics legally entered the U.S. as did 256,300 Asians.

How is the foodservice industry affected by the influx of new immigrants? The question is a difficult one to answer because little is known about the restaurant attitudes and behavior of these groups. It is clear, however, that their growing presence has affected American tastes. More consumers are seeking out the fiery tastes of Latin cuisine and the exotic flavors of Asian dishes, thus spurring growth of specialty ethnic restaurants and the consumption of unfamiliar fruits and vegetables.

Industry trends

Faced with an increasingly competitive environment, foodservice operators are exploring different ways to respond to consumer demands. To gain that all-important competitive edge, operators are revamping menus, entering new markets, upgrading decors, tightening operating procedures, offering promotions and developing joint-venture projects.

Food and menu trends

Keeping up with what's hot and what's not is harder than ever. For today's consumer, variety and diversity are critical. Consequently, some operators are establishing spe-

cialty niches that cater to specific tastes while others are adding or revamping menu items to accommodate consumer demands. The changes in consumer attitudes that are predicted to have the greatest long-term effect on the industry include grazing, interest in ethnic cuisines and heightened awareness of health and nutrition.

Grazing has become a well-established eating pattern. Many consumers continue to opt for a variety of items rather than traditional fare. This is especially common among young consumers, who want the chance to sample.

Spanish tapas bars and menus have added a new dimension to grazing by offering a variety of elegant "finger foods." While some specialty restaurants have built entire concepts around tapas, others have simply added appetizers or increased their portion-size options to broaden their consumer appeal.

American palates have developed a taste for ethnic cuisines, especially those that specialize in high-intensity and/or unusual flavors. Mexican, Asian, Italian and Cajun cooking is available virtually everywhere. Caribbean cuisine, which is influenced by many countries, is also gaining in popularity. Moreover, many operators are building menus around regional tastes and ingredients to offer patrons a unique dining experience that is different from that offered by the competition.

Health and nutrition remain top concerns with consumers. Operators are responding to consumer interest in fitness and nutrition. A 1986 National Restaurant Association survey found that 38 percent of operators surveyed either feature a nutrition promotion or plan to do so in the future. The majority (73 percent) are willing to alter preparation methods, when requested, to satisfy consumers. And it is common to find menu substitutes, such as sugar substitutes, margarine and fresh fruit.

Operations built solely around diet, health or nutrition do not seem to be as successful as those that incorporate healthful choices into their concepts. Patrons seem satisfied to have nutritious options available rather than to have an entire menu focus on health and nutrition. Most people prefer the simple reassurance that a particular entree is a better choice, nutritionally, rather than quantitative data on nutrients (calories, fat, cholesterol, etc.). Given the recent concern about fats, it is likely that in 1987 more consumers will want to know the type of fat (i.e., olive oil, butter, margarine, etc.) used during food preparation. This information can easily be incorporated into menu descriptions.

A parallel trend is the desire for fresh foods. In response, on-premises baking facilities and specialty bake shops have been added to tempt consumers with freshly made muffins, breads and pastries.

Interest in healthy foods, however, has not diminished America's sweet tooth. For example, superpremium ice cream and frozen custard places recorded strong growth over the past year.

As concern over drunk driving has mounted, per capita consumption of alcohol has declined. Operators facing reduced profits from sliding liquor sales are fighting back. Some have begun aggressively promoting specialty non-alcoholic beverage lines or bottled waters while others are placing a new emphasis on foodservice. For example, luxury hotels now promote a selection of exotic teas and offer them with pastries and sandwiches in the late afternoon as an alternative to the cocktail hour.

There is also a renewed interest in foods and concepts from the past. Diners, patterned after those of the 30s, 40s and 50s, are making a big play for consumer food dollars. Some are rewaking tastes for such classics as meat loaf while others have updated menus to cater to new tastes. The hot dog is also making a comeback. It now comes complete with a selection of gourmet toppings.

Percent of consumers who have patronized specialty restaurants*

	1986	1985
Bakery items	**	49%
Pizza delivery	40%	47
Barbecue	34	47
Pasta	35	46
Hot dogs	**	42
Premium, hand-dipped ice cream	32	34
Gourmet hamburgers	33	34
Diet or lite menu items	26	29
Asian fast food	25	29
Freshly baked cookies	29	26
Gourmet take out	18	21
Mexican-style chicken	17	20
Spicy, Cajun-style cooking	14	18
Display cooking in front of patrons	12	13
Mesquite grilling	5	9
Sushi or seafood	7	5

*During first three months of the year
**Not asked in 1985 survey
Source: Consumer Preferences for New Restaurant Concepts, National Restaurant Association, July 1986

Percent of occasions on which promotions were used, 1982–1985

Year	Total	Coupon	Special event	Price off	Other
1982	10.1%	5.1%	2.0%	1.0%	2.1%
1983	10.6	5.1	2.2	1.1	2.1
1984	10.6	4.6	2.5	1.2	2.2
1985	11.3	4.8	2.7	1.4	2.4

Source: CREST *Annual Household Report*, December-November 1982–1985

Expansion

According to R.S. Means, a construction consulting firm, the building cost per square foot for an average restaurant has increased 67 percent since 1980. This increase, coupled with fewer prime sites, has operators rethinking expansion strategies. Alternative options for reaching and/or expanding markets are being explored. Some of the most common methods are: mobile units, double-drive-thru windows, drive-thru-only units and non-traditional sites, such as military bases, recreation centers, campus food courts and hotels/motels. In general, because construction costs for these units are much lower than for freestanding units, they provide a better return on investment. Along the same line, some companies are buying up smaller chains and renovating their units to take advantage of prime real estate locations.

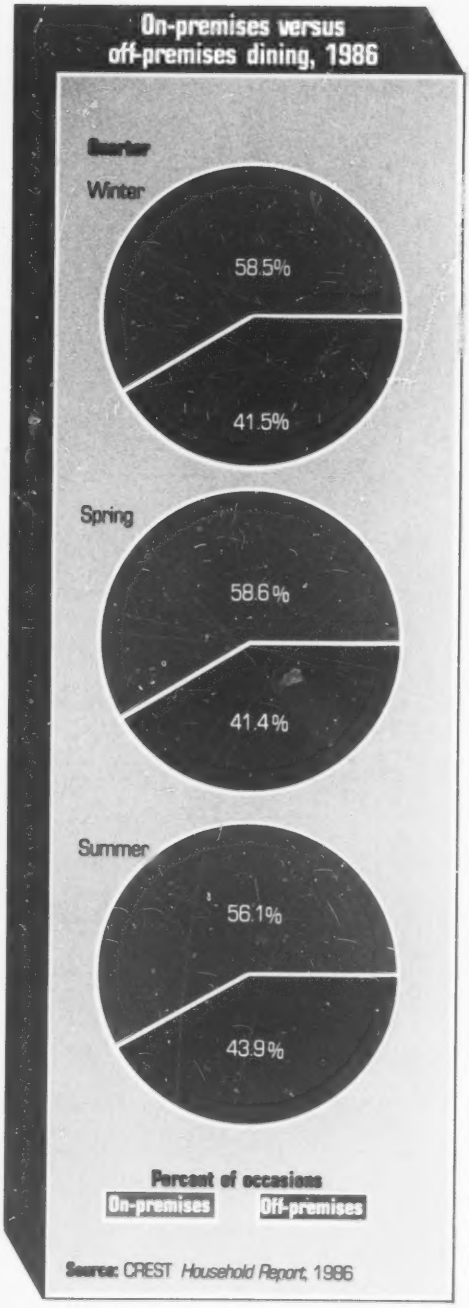
Joint ventures offer operators another means of penetrating new markets. Recent projects have joined fast food outlets with convenience stores and combined hotels/motels with freestanding restaurants.

Foreign markets remain a viable expansion alternative for larger chains. Although

operators of hamburger and chicken chains are the most likely to start up operations in foreign countries, pizza chains have stepped up activity. The highest concentration of units is still found in Canada and Japan, but more attention is being paid to other Pacific Basin countries, including the People's Republic of China.

Changing consumer tastes have spurred buying and selling within the industry. Companies are seeking out units or chains that offer a concept that is different from their own to safeguard against sudden shifts in consumer tastes. There is also a complementary trend to shed less profitable units in order to concentrate efforts on a single concept.

Other expansion activity centers around improving position within the same segment. Companies in the contract feeding segment have been particularly active in this area.



Repositioning

To renew waned consumer interest, operators are repositioning restaurants, especially through design and menu changes. Operators are becoming more willing to create an atmosphere that reflects the quality of food and service offered to patrons. Contemporary restaurant design involves bright, vivid colors that create an air of excitement and such classic materials as marble, wood and brass to attract today's sophisticated patron.

Other operators are shying away from upscale, sophisticated designs, choosing instead to create a casual environment in which patrons can relax and enjoy one another's company.

Along this same vein, menus are being revamped and expanded to appeal to the diverse needs of the population. Steakhouse chains have added chicken and fish, fast food burger places now sell chicken and salads, and ethnic dishes are found on all types of menus.

Another common repositioning strategy is to add entertainment, whether by installing dance floors, videos or display kitchens or by hiring disc jockeys or broadening the responsibilities of waitstaff. Some operators have chosen to let the patrons provide the entertainment by building establishments in several tiers or providing an upper level that overlooks the main eating and drinking area to encourage people-watching.

Advertising and promotions

Foodservice operators doing business in today's fiercely competitive environment are placing more emphasis on advertising and promotions. According to the Television Bureau of Advertising, advertising expenditures have risen sharply in recent years, topping $560 million during the first half of this year—a 13.0 percent increase over the same period in 1985. The battle over market share has led to some aggressive advertising campaigns, especially in the fast food segment, with ads comparing food quality, preparation methods and menu variety.

The foodservice industry is pouring more money and creative energy into promotional campaigns. According to CREST* data, consumers are responding. In the summer quarter of 1986, 11.1 percent of all restaurant occasions involved a promotion—7.0 percent more than the same time period in 1985.

Although coupons remain a common choice, other types of promotions are gaining in importance. Special-event merchandising is one example. Summer quarter 1986 CREST results indicate consumers used special event promotions on nearly 10 percent more occasions than they did one year earlier. Themes include new or special menu items, holidays and local and national sports events.

In addition, establishments are working to improve their public image by joining forces with charitable organizations to raise money for worthy causes and mounting anti-drunk-driving campaigns.

Another method used to attract patrons is through premiums. Glasses, T-shirts and other merchandise that carry logos of local sports teams and movie or cartoon characters are the usual focal points of these campaigns. This is a common strategy used to attract families by aiming the premium at children and/or tying it to a kids' meal deal.

**CREST is the acronym for Consumer Reports on Eating Share Trends, a survey designed to track expenditures and behavior in the commercial segment of the foodservice industry, including information by type and classification of restaurant and also by meal or snack period.*

Take out/home delivery

Options for take-out and home-delivered foods have expanded rapidly over the last year as all segments of the industry try to tap this potentially lucrative market. Consumers can purchase an array of items, such as pizza, chicken, soups, salads and Asian and Mexican foods, for take out or delivery. Central computer facilities, mobile units and drive-thru-only units are helping operators meet the growing demand. At the same time, competition from grocery and convenience stores is intensifying as they expand offerings and undertake aggressive marketing campaigns.

Operations

Foodservice operators are working in a complex environment. In order to meet the challenges they face, they are working to improve day to-day operations. Moreover, in the face of a tightening labor market, greater emphasis is being placed on developing effective recruiting and training programs.

Recruiting practices are becoming more sophisticated because foodservice operators must compete with other industries for a smaller supply of young workers. Advertisements for jobs now appear in schools, in local newspapers, on tray liners and on table tents as well as on radio and television. Other methods being used to attract workers include raising starting wages above the minimum wage and providing transportation to suburban locations for urban youths. Additionally, companies are instituting programs to recruit and train older adults.

Training methods have also come under closer scrutiny as operators look for ways to cut turnover rates. Companies are offering special classes for long-time employees to update their knowledge of both company practices and the industry as a whole. Managers are also undergoing training to help them be more attentive to employee needs and priorities. As efforts to retain current employees intensify, operators will devote greater resources to training, especially for unit managers who hold the key to reduced turnover in chain operations.

Operational procedures are being streamlined to help reduce costs. Computers are becoming increasingly common because they afford operators more control. They help keep them in tune with every aspect of the operation from sales and profits to inventory and scheduling. Recent innovations include hand-held terminals for waitstaff and computerized kitchen equipment to help streamline food preparation procedures.

Blurring of segments

Many of the current changes taking place within the industry are blurring lines between traditional segments. Menus of burger and chicken fast food chains have become more alike. Recent design and menu alterations by steakhouse chains have made them more like casual dining places. Interest in ethnic cuisines has prompted operators of all types to experiment with Mexican, Italian, Cajun and Asian dishes. Furthermore, home-delivered and take-out meals are offered at establishments in all segments.

Operators are also facing increased competition from convenience stores, gas stations and grocery stores. Expanded food lines and aggressive marketing have firmly established these outlets in the battle for the consumer's away-from-home food dollar.

These shifts have changed the nature of competition within the foodservice industry. It is no longer enough to be the best in a given segment. Operations must also be able to compete effectively across segments.

Nutrition issues and outlook 6

Over the past three years, consumers have sustained their interest in nutrition, in both at-home and away-from-home situations. The focus on preventive health continues to dominate nutrition concerns in research and media reports. Interest in diet and health, coupled with the growing interest in food and cooking as a hobby, makes for a highly sophisticated restaurant patron who will be more demanding.

Nutritionally speaking, the later part of the 80s appears to be the era of the individual nutrient. New discoveries are revealing the effects of particular substances on disease development. The discovery of the relationship between calcium deficiency and osteoporosis has increased public awareness and appreciation of dairy products. Identification of fiber and vitamins A and C as potential cancer-prevention agents has motivated recommendations to eat more fruits and vegetables, particu-

larly yellow-orange and dark green leafy vegetables and citrus fruits as well as whole grain breads, rolls, cereals and muffins.

The war against fat continues to gain momentum. Not only has a high-fat diet been implicated as a risk for developing certain cancers, but it is also strongly associated with the development of heart disease. As a result, there may be more demand for lower fat foods as well as for information on the type of fat (i.e., butter, margarine, vegetable oil, etc.) used during food preparation.

In response, the meat industry is heavily promoting lean beef. And, in an effort to assist consumers with the identification of lean cuts, the branding concept, which has dominated retail chicken sales, may soon penetrate the beef market. Also, there has been a push among consumer advocates to change the name of the USDA "good" grade of beef to "select" in order to give this leaner grade a more positive identification.

It is no longer enough to be the best in a given segment. Operations must also be able to compete effectively across segments.

Seafood and fish will benefit from concern over high fat diets. These products are low in fats and the fats they contain—omega-3 fatty acids—tend to be useful in reducing blood cholesterol levels.

Nutrition awareness is also at the root of the fast food labeling issue. Most observers agree that the demand for ingredient disclosure was merely a prelude to a call for nutrition information in fast food outlets. Consumer activists are sure to argue that concerned patrons would benefit from quantitative information on calories, fat, cholesterol, sodium and other nutrients. In short, although both the Food and Drug Administration (FDA) and USDA rejected petitions to require ingredient disclosure in fast food outlets, the issue is not dead.

A similar situation prevails over the sulfite issue. Although FDA has banned the use of sulfites on fruits and vegetables to be consumed in the raw state, sulfites will continue to haunt the foodservice industry. Legally, wholesalers can continue to add sulfites to produce, such as peeled potatoes, that will not be consumed in the raw state. As of Jan. 9, 1987, any food containing sulfites in a quantity of 10 parts per million or more must identify the presence of sulfites on the label. Therefore, the potential remains for foodservice operators to receive sulfite products.

Eating Places

Eating places, which account for about two-thirds of total foodservice sales, posted modest growth in 1986, with sales topping $119 billion. The forecast for 1987 shows this segment will continue to expand, although at a slightly slower pace. Total eating place sales are expected to reach $127.1 billion next year, a 6.8 percent increase over 1986. After adjusting for menu price inflation, this represents a 2.8 percent real growth rate—slightly below the 3.3 percent increase recorded this year. Eating places will outperform the overall industry—2.8 percent real growth versus 2.4 percent.

Several economic factors, which dampened growth in 1986, will continue to influence eating place sales during the upcoming year. Overall, consumer confidence has declined. During 1986, consumer confidence ran below 1985 levels, declining steadily since early in the year. Moreover, real disposable incomes have been rising at a sluggish pace. Consequently, consumers are becoming more cautious. This caution has slowed the rate of increase in consumer spending for restaurant meals. CREST data reveal traffic counts at the nation's restaurants edged up just 1.9 percent over the first eight months of the year in comparison to the same period in 1985. Quickservice restaurants have registered modest gains; traffic was up 4.9 percent. However, customer counts at midscale and upscale restaurants are up a mere 0.9 and 0.2 percent, respectively. A similar pattern is expected to emerge in the year ahead. In addition, as consumers become more cash conscious, they will be more inclined to look for deals which may offer better value for their money.

Along with these economic factors, trends within the industry will affect eating place sales growth in 1987. During 1986, operators built new units at a rapid pace. At the same time, the rate of growth in consumer spending for restaurant meals slowed. Consequently, there are now more units vying for consumer dollars, resulting in intensified competition and, in some cases, lower profit margins. Although unit growth is expected to slow in the upcoming year, this competitive climate should prevail, leading to stepped-up merger activity, greater interest in joint ventures, even bigger advertising budgets and increased use of promotions. Overall, eating place operators will be challenged to explore creative methods of reaching new customers in a maturing marketplace.

Fast food continues to lead the way

Limited menu restaurants (primarily fast food places) will account for nearly 40 percent of total industry sales growth in 1987. Fast food sales are expected to climb 7.5 percent next year to $54.2 billion. Real sales, after adjusting for menu price inflation, should rise 3.5 percent—above the 2.4 percent increase forecast for the overall industry.

Essentially, fast food sales are driven by convenience and location. Consumer desire for convenience will be a primary force behind the growth of this segment in the year ahead. The fast food sector's prime customers have moved into their 20s and 30s. Working women and two-career families have led the way in demanding convenience. Limited menu establishments are in a unique position to cater to this demand because they offer quick meals for both eat-in and take-out service. Furthermore, many operators are expanding into the home-delivery market. Although convenience stores and supermarkets are vying for a share of the market by expanding their offerings, fast food places should continue to hold their ground. Convenient locations, well-established menu items, speedy service, expanded menus, heavy promotional use and dominance in advertising should help keep fast food restaurants uppermost in the minds of convenience-conscious consumers.

However, operators will be looking for new ways to boost customer counts and sales. By upgrading decors and developing new products, they will continue to bolster interest in fast food among an older, more discriminating customer base. In addition, there is renewed emphasis on both food and service quality to improve an establishment's competitive position.

Construction of new units is expected to slow as the saturation point is reached in some markets. Therefore, other expansion options will be looked at more closely. More mobile units are expected to take to the road in 1987 and double-drive-thru windows and drive-thru-only units will be more commonplace. Overall, fast food operators will need to work harder in a tougher operating environment to capture market share and generate significant growth in the upcoming year.

Overall, fast food operators will need to work harder in a tougher operating environment to capture market share and generate significant growth in the upcoming year.

Restaurant sales to climb 6.3 percent

Restaurant and lunchroom sales are forecast to climb 6.3 percent in 1987, reaching $66.1 billion. In inflation-adjusted dollars, this represents a 2.3 percent increase.

The Tax Reform Act of 1986 may contribute to relatively slow growth in this segment. Because of the lowering of the cap on business meal deductibility from 100 to 80 percent, some operators may see a cutback in business meals.

Consumers faced with high amounts of debt and cash shortages as well as minimal wage and salary increases will be more selective when dining out. They will look for restaurants that offer varied menus, high-quality food and service, price/value and an engaging atmosphere. Meeting these needs is especially important in the restaurant and lunchroom segment because word-of-mouth communication is the primary way consumers learn about an establishment.

Take out and home delivery will play a bigger role in this segment in 1987. Because these options require different operating procedures than those needed for in-house dining, special attention will be required to make the venture profitable.

Strong sales at ice cream and frozen custard stands

Ice cream and frozen custard stands will record the second best overall performance among eating places in 1987. Sales are forecast to reach $1.6 billion, a 7.2 percent increase over 1986. Inflation-adjusted sales should climb 3.2 percent.

Eating place sales: $127.1 billion

	1986 Estimated RSB sales ($000)	1986 Projected RSB sales ($000)	1987 Projected RSB sales ($000)	1986–1987 Percent change	1986–1987 Percent real growth change	1984–1987 Compound annual growth rate
Total eating places	[illegible]	[illegible]	[illegible]	6.8%	2.8%	8.7%
Restaurants, lunchrooms	55,111,582	62,221,912	66,141,892	6.3	2.3	6.3
Limited menu restaurants, refreshment places	43,719,215	50,474,707	54,249,571	7.5	3.5	7.5
Commercial cafeterias	3,165,807	3,456,756	3,664,161	6.0	2.0	5.0
Social caterers	1,240,801	1,390,109	1,474,906	6.1	2.1	5.9
Ice cream, frozen custard stands	1,283,449	1,477,670	1,584,062	7.2	3.2	7.3

Superpremium ice cream, frozen yogurt and new products are fueling growth in this segment.

Cafeteria growth expected to slow

Sales at commercial cafeterias are forecast to advance 6.0 percent next year, the smallest projected increase across all eating place segments. Total sales will reach $3.7 billion, up slightly from this year's $3.5 billion. Real growth in 1987 is expected to be 2.0 percent.

The growth this segment has enjoyed will be somewhat restricted in the year ahead. The customer base for cafeterias has been among the hardest hit by tougher economic conditions, especially those in southern oil-producing states. To counter sluggish business, cafeterias will continue to upgrade units and expand menu offerings. Management techniques will be under review to find ways to improve service quality and overall efficiency. Marketing efforts will be focused on widening the customer base.

Sales of social caterers to advance 6.1 percent

Social caterers have shown some signs of revival despite serious competition from restaurants and hotels. Sales are expected to total $1.5 billion—a 6.1 percent increase. Real growth is projected to be 2.1 percent. However, social caterers face some difficulties in the year ahead because of passage of the tax reform bill. The 80-percent limit on business meal deductibility may cause businesses to cut back on entertainment budgets.

Bars and taverns

Food and drink sales for bars and taverns will reach nearly $8.8 billion in 1987, up 3.0 percent from 1986 for the strongest increase in several years. Still, real sales will be off 1.0 percent as the effects of increased alcohol awareness and drunk driving campaigns are felt throughout the country. No further dramatic declines for this sector are expected in the near future.

8 Major market outlook for 1987

The statistical tables in this section provide an in-depth look at 1987 sales projections for nine major foodservice segments. The eating place segment, not included here, is reviewed in the previous section. A comprehensive one-page table for total 1987 food and drink sales for the foodservice industry follows.

Lodging place foodservice

□ Tax reform legislation, which retained 100 percent deductibility for business meals with a speaker, should boost convention business.

□ Occupancy rates are expected to remain relatively flat and may dip in some markets. Lodging restaurants catering primarily to guests may see only minimal growth.

□ All of the growth in this market is predicted to occur in the hotel group.

Transportation foodservice

□ Airline traffic should continue to grow, and further consolidation within the industry is expected to increase fares. The sales gain for the airline industry, however, will be less than traffic growth because of changes in food offerings by the airlines.

□ Foodservice sales on cruise lines are expected to register strong gains.

Military foodservice

□ More competitive pricing and improved foodservice management and preparation

Lodging place sales: $12.3 billion

	(000)			1986–1987 Percent change	1986–1987 Percent real growth change	1984–1987 Compound annual growth rate
	1984	1986	1987			
Total lodging places	**$10,825,181**	**$11,478,511**	**$12,270,987**	**6.9%**	**2.9%**	**7.9%**
Hotel restaurants	8,109,699	9,468,032	10,202,692	7.8	3.8	8.0
Motor hotel restaurants	726,193	767,394	792,718	3.3	−0.7	3.0
Motel restaurants	1,190,279	1,244,085	1,275,187	2.5	−1.5	2.3

Transportation foodservice sales: $1.9 billion

	(000)			1986–1987 Percent change	1986–1987 Percent real growth change	1984–1987 Compound annual growth rate
	1984	1986	1987			
Total transportation foodservice	**$1,611,870**	**$1,781,884**	**$1,915,341**	**7.5%**	**4.1%**	**6.2%**
Contractors, in-transit feeding commercial airlines	672,431	792,840	853,889	7.7	4.3	8.3
Transportation*	939,439	988,224	1,061,352	7.4	4.0	8.2

*Includes sales on airlines, passenger/cargo liners and railroads

Military foodservice sales: $1.0 billion

	(000)			1986–1987 Percent change	1986–1987 Percent real growth change	1984–1987 Compound annual growth rate
	1984	1986	1987			
Total military foodservice*	**$ 625,597**	**$ 948,825**	**$1,000,158**	**5.5%**	**2.5%**	**5.5%**
Officers & NCO clubs ("Open Mess")	546,242	625,977	666,666	6.5	2.5	6.9
Military exchange foodservice	280,315	320,049	341,492	6.7	2.7	6.8

*Continental U.S. only

Employee foodservice sales: $6.1 billion

	($000)			1986–1987 Percent change	1986–1987 Percent real growth change	1984–1987 Compound annual growth rate
	1984	1986	1987			
Total employee foodservice	$ 5,268,401	$ 5,770,719	$ 6,055,897	4.9%	1.9%	4.8%
Food contractors						
Manufacturing & industrial plants	2,616,415	2,911,218	2,948,968	4.9	0.9	4.1
Commercial & office buildings	825,007	851,623	1,019,189	7.1	3.1	7.3
Institutional employee foodservice*	1,904,029	2,013,869	2,088,431	4.2	0.2	3.3

*Includes sales for industrial and commercial organizations, seagoing ships and inland waterway vessels

Health care foodservice sales: $12.1 billion

	($000)			1986–1987 Percent change	1986–1987 Percent real growth change	1984–1987 Compound annual growth rate
	1984	1986	1987			
Total health care foodservice	$11,488,873	$11,700,710	$12,000,000	2.6%	–1.4%	1.7%
Contractors in hospitals & nursing homes	1,105,892	1,255,508	1,342,138	6.9	2.9	6.7
Hospitals*	7,391,326	7,229,138	7,243,597	0.2	–3.8	–0.7
Nursing homes	2,986,657	3,280,066	3,476,870	6.0	2.2	5.2

*Includes voluntary and proprietary hospitals; long-term general, TB, mental hospitals; and units or commercial equivalent to employees in state and local short-term hospitals and federal hospitals

Educational foodservice sales: $9.3 billion

	($000)			1986–1987 Percent change	1986–1987 Percent real growth change	1984–1987 Compound annual growth rate
	1984	1986	1987			
Total educational feeding	$ 8,191,825	$ 8,992,198	$ 9,295,883	4.3%	–0.1%	4.3%
Colleges & universities						
Contractors	$ 1,812,363	$ 1,847,716	$ 1,964,122	6.3%	1.5%	6.8%
Institutional	2,968,967	3,091,882	3,168,131	2.5	–2.3	2.2
Subtotal	$ 4,581,330	$ 4,939,598	$ 5,132,253	3.9%	–0.9%	3.9%
Primary & secondary schools						
Contractors	$ 833,066	$ 945,771	$ 1,011,029	6.9%	2.9%	6.7%
Institutional	2,780,429	3,016,777	3,141,721	4.1	0.1	4.2
Subtotal	$ 3,613,495	$ 3,962,548	$ 4,152,750	4.8%	0.8%	4.7%

Recreational foodservice sales: $5.5 billion

	($000)			1986–1987 Percent change	1986–1987 Percent real growth change	1984–1987 Compound annual growth rate
	1984	1986	1987			
Total recreational foodservice	$4,737,734	$5,254,988	$5,527,346	5.2%	1.2%	5.3%
Recreation & sports centers						
Contractors	1,241,555	1,393,146	1,479,521	6.2%	2.2%	6.0%
Non-contractors[1]	1,905,981	2,116,976	2,241,878	5.9	1.9	5.6
Subtotal	$3,147,536	$3,510,122	$3,721,399	6.0%	2.0%	5.7%
Clubs[2], sporting and recreational camps	1,590,218	1,744,876	1,805,947	3.5%	–0.5%	4.3%

[1]Includes sales at drive-in movies, bowling lanes and recreational and sports centers
[2]A proportion of food and beverage sales in clubs is business-related

Other foodservice sales

	($000)			1986–1987 Percent change	1986–1987 Percent n.s.' growth change	1984–1987 Compound annual growth rate
	1984	1986	1987			
Retail hosts	$5,394,529	$7,084,721	$8,062,412	13.8%	9.8%	14.3%
Mobile caterers	588,430	683,153	730,974	7.0	3.0	7.5
Vending & non-store retailers*	3,667,828	4,036,078	4,282,279	6.1	2.1	5.3
Community centers	400,798	406,430	416,997	2.6	–0.8	1.3

*Includes sales of hot food, sandwiches, pastries, coffee and other hot beverages

techniques should promote growth.
□ An increasing number of military retirees will also contribute to the expansion of this segment.

Employee foodservice

□ Food contractors should benefit from higher employment.
□ Although higher employment may increase demand, contractors will face tougher competition in a more cost-conscious operating environment.
□ Institutional foodservice sales in the employee foodservice category, which includes meal and snack sales for industrial and commercial organizations, seagoing ships and inland waterway vessels, may face stiffer competition from contractors.
□ The outlook for this segment may change depending on how businesses react to tax reform legislation.

Health care foodservice

□ Rising health care costs and shorter patient stays should contribute to the shrinking of the hospital foodservice segment.
□ A larger number of older Americans will create more opportunities in the nursing home segment for both contractors and those who operate their own foodservice facilities.

Educational foodservice

□ Further declines in enrollment at private and public colleges and universities will contribute to the slow growth in this area. On the other hand, enrollment increase in grades K–8 will help stimulate growth at primary and secondary schools.
□ Contractors should outperform institutional feeders in all segments because of better cost-control measures.

Recreational foodservice

□ Foodservice sales at recreation and sports centers are expected to remain relatively stable.
□ Attendance at spectator sports is expected to hold steady.
□ Clubs may suffer somewhat from the removal of the 100 percent business meal deductibility.

Other foodservice

□ Retail hosts should make strong sales gains in 1987, fueled by expansion of foodservice offerings at convenience stores, grocery stores and gas stations. This growth will likely offset declines in department, variety and drug store feeding.
□ Mobile caterers should post a healthy performance as employment in the construction industry is expected to remain relatively strong. Some growth will likely come from the recreational market as well.
□ Vending and non-store retailers will continue to explore new markets to stimulate growth. This group may also benefit from higher employment levels in the manufacturing sector.
□ Community centers will probably suffer another year of decline because of further cuts in funding for public and community projects.

The foodservice industry—food and drink sales projected to 1987

	1984 Estimated F&B sales ($000)	1986 Projected F&B sales ($000)	1987 Projected F&B sales ($000)	1986–1987 Percent change	1986–1987 Percent real growth change	1984–1987 Compound annual growth rate
GROUP I—Commercial Foodservice[1]						
Eating places						
Restaurants, lunchrooms	$ 55,111,582	$ 62,221,912	$ 66,141,892	6.3%	2.3%	6.3%
Limited menu restaurants, refreshment places	43,719,215	50,474,707	54,249,571	7.5	3.5	7.5
Commercial cafeterias	3,165,807	3,456,756	3,664,161	6.0	2.0	5.0
Social caterers	1,240,801	1,390,109	1,474,906	6.1	2.1	5.9
Ice cream, frozen custard stands	1,283,449	1,477,670	1,584,062	7.2	3.2	7.3
Total eating places	$104,520,854	$119,021,154	$127,114,592	6.8%	2.8%	6.7%
Bars/taverns	8,254,928	8,502,047	8,757,108	3.0	−1.0	2.0
Total eating & drinking places	$112,775,782[2]	$127,523,201	$135,871,700	6.5%	2.5%	6.4%
Food contractors						
Manufacturing & industrial plants	$ 2,616,415	$ 2,811,218	$ 2,948,968	4.9%	0.9%	4.1%
Commercial & office buildings	825,007	951,623	1,019,188	7.1	3.1	7.3
Hospitals & nursing homes	1,105,892	1,255,506	1,342,136	6.9	2.9	6.7
Colleges & universities	1,612,363	1,847,716	1,964,122	6.3	1.5	6.8
Primary & secondary schools	833,066	945,771	1,011,029	6.9	2.9	6.7
In-transit feeding (airlines)	672,431	792,840	853,889	7.7	4.3	8.3
Recreation & sports centers	1,241,555	1,393,146	1,479,521	6.2	2.2	6.0
Total food contractors	$ 8,906,729	$ 9,997,820	$ 10,618,853	6.2%	2.1%	6.0%
Lodging places						
Hotel restaurants	$ 8,109,689	$ 9,468,032	$ 10,202,692	7.8%	3.8%	8.0%
Motor hotel restaurants	726,193	767,394	792,718	3.3	−0.7	3.0
Motel restaurants	1,190,279	1,244,085	1,275,187	2.5	−1.5	2.3
Total lodging places	$ 10,026,161	$ 11,479,511	$ 12,270,597	6.9%	2.9%	7.0%
Retail host restaurants[3]	$ 5,394,529	$ 7,064,721	$ 8,062,412	13.8%	9.8%	14.3%
Recreation & sports[4]	1,905,961	2,116,976	2,241,878	5.9	1.9	5.6
Mobile caterers	588,430	683,153	730,974	7.0	3.0	7.5
Vending & non-store retailers[5]	3,667,828	4,036,078	4,262,279	6.1	2.1	5.3
TOTAL GROUP I	**$143,265,420**	**$162,921,460**	**$174,078,693**	**6.9%**	**2.9%**	**6.7%**
GROUP II—Institutional Foodservice—Business, Educational, Government or Institutional Organizations That Operate Their Own Foodservice						
Employee feeding[6]	1,904,029	$ 2,013,869	$ 2,098,451	4.2%	0.2%	3.3%
Public & parochial elementary, secondary schools	2,780,429	3,016,777	3,141,721	4.1	0.1	4.2
Colleges & universities	2,968,967	3,091,892	3,168,131	2.5	−2.3	2.2
Transportation	838,639	988,224	1,061,352	7.4	4.0	8.2
Hospitals[7]	7,391,326	7,229,138	7,243,597	0.2	−3.8	−0.7
Nursing homes, homes for aged, blind, orphans, mentally & physically handicapped[8]	2,986,657	3,280,066	3,476,870	6.0	2.2	5.2
Clubs, sporting & recreational camps	1,590,218	1,744,876	1,805,947	3.5	−0.5	4.3
Community centers	400,798	406,430	416,997	2.6	−0.8	1.3
TOTAL GROUP II	**$ 20,861,063**	**$ 21,771,272**	**$ 22,413,066**	**2.9%**	**−1.1%**	**2.4%**
TOTAL GROUP I & II	**$164,126,483**	**$184,692,732**	**$196,491,759**	**6.4%**	**2.4%**	**6.2%**
GROUP III—Military Foodservice[9]						
Officers & NCO clubs ("Open Mess")	$ 546,242	$ 625,977	$ 666,666	6.5%	2.5%	6.9%
Foodservice—military exchanges	280,315	320,049	341,492	6.7	2.7	6.8
TOTAL GROUP III	**$ 826,557**	**$ 946,026**	**1,008,158**	**6.6%**	**2.6%**	**6.8%**
GRAND TOTAL	**$164,953,040**	**$185,638,758**	**$197,499,917**	**6.4%**	**2.4%**	**6.2%**

Footnotes:

1. Data are given only for establishments with payroll.
2. Food and drink sales for non-payroll establishments totaled $3,206,617,000 in 1984.
3. Includes drug and proprietary store restaurants, general merchandise store restaurants, variety store restaurants, food store restaurants, grocery store restaurants, gasoline service station restaurants and miscellaneous retailers.
4. Includes drive-in movies, bowling lanes, recreation and sport centers.
5. Includes sales of hot food, sandwiches, pastries, coffee and other hot beverages.
6. Includes industrial and commercial organizations, seagoing and inland waterway vessels.
7. Includes voluntary and proprietary hospitals; long-term general, TB, mental hospitals; and sales or commercial equivalent to employees in state and local short-term hospitals and federal hospitals.
8. Sales (commercial equivalent) calculated for nursing homes and homes for the aged only. All others in this grouping make no charge for food served either in cash or in kind.
9. Continental U.S. only.

1987 food and drink purchases

Food and drink purchases for the foodservice industry are forecast to reach $77.9 billion in 1987. Purchases in the **Commercial Foodservice Group,** which account for 74.7 percent of the total, are estimated to equal $58.2 billion.

Highlights for 1987 food and drink purchases

- **Eating places,** which comprise the largest component of the Commercial Foodservice Group, are forecast to record food and drink purchases totaling $44.3 billion in 1987.
- **Food contractor** purchases are forecast to equal $4.3 billion. This group represents the largest component of the commercial segment outside of eating places in the amount of dollars spent.
- Purchases for the **Institutional Foodservice Group,** which account for 16.4 percent of total industry food and drink purchases, are projected to reach $12.8 billion.
- **Hospitals,** the largest food and beverage purchasers in the institutional segment, are expected to post purchases of $3.3 billion.
- Food and drink purchases provided to **foodservice employees** in both the Commercial and Institutional Groups should reach $4.5 billion.
- **Military foodservice** purchases are forecast to total $2.4 billion. Defense personnel expenditures, the largest share of military foodservice purchases, are predicted to total $2.0 billion.

The foodservice industry food and drink purchases projected to 1987*

	Estimated food and drink purchases ($000)
GROUP I: Commercial Foodservice[1]	
Eating places	
Restaurants, lunchrooms	$23,460,372
Limited menu restaurants	18,499,104
Commercial cafeterias	1,324,556
Social caterers	536,666
Ice cream, frozen custard stands	476,803
Total—eating places	**$ 44,317,703**
Bars and taverns	443,285[2]
Total—eating and drinking places	**$ 44,760,988**
Food contractors	
Manufacturing and industrial plants	$ 1,327,036
Commercial and office buildings	458,624
Hospitals and nursing homes	536,854
Colleges and universities	629,265
Primary and secondary schools	392,603
In-transit feeding (airlines)[3]	409,815
Recreation and sports centers	510,435
Total—food contractors	**$ 4,294,632**
Lodging places	
Hotel restaurants	$ 3,254,455
Motor hotel restaurants	254,740
Motel restaurants	409,988
Total—lodging places	**$ 3,919,183**
Other Commercial	
Retail host restaurants	$ 2,824,908
Recreation and sports	778,290
Vending and non-store retailers	1,378,894
Mobile caterers	242,683
Total—other commercial	**$ 5,224,775**
TOTAL—GROUP I	**$58,199,578**

	Estimated food and drink purchases ($000)
GROUP II: Institutional Foodservice—Business, educational, government or institutional organizations that operate their own foodservice	
Employee feeding	$ 1,021,946
Public and parochial elementary and secondary schools	3,105,522
Colleges and universities	1,417,992
Transportation	537,416
Hospitals	3,265,196
Nursing homes; homes for the aged, blind, orphans, mentally and physically handicapped	2,136,050
Clubs, sporting and recreation camps	782,101
Community centers	492,048
TOTAL—GROUP II	**$12,758,271**
TOTAL—GROUPS I AND II	**$70,957,849**
Food furnished foodservice employees (FSE) in Groups I and II	$ 4,539,499
TOTAL—GROUPS I, II AND FSE	**$75,497,348**
GROUP III: Military Foodservice	
Defense personnel	$ 2,023,586
Officers and NCO clubs ("Open Mess")	241,333
Foodservice—military exchange	138,304
TOTAL—GROUP III	**$ 2,403,223**
GRAND TOTAL	**$77,870,571**

*Purchases refer to expenditures by foodservice establishments for their food and drink supplies.
1. Data are given only for establishments with payroll.
2. Food purchases only
3. Food purchases only

10 Regional and state forecast

For the seventh consecutive year, the National Restaurant Association has forecast eating place sales for each of the 50 states and the District of Columbia. Restaurateurs can use these data to compare their sales performances with projections for their state or region and also for planning purposes.

To a great extent, eating place sales performance depends on the economic situation in the regional area. Factors such as population, income, industrial mix and employment all affect restaurant sales.

Regional highlights

The following sections present key information concerning restaurant sales trends in the nine census regions.

- The **Mountain region** should show the strongest gain in eating place sales in 1987—up 8.2 percent over 1986. The **South Atlantic** should follow with a 7.6 percent advance.
- The **Middle Atlantic region** should post the smallest sales increase next year—5.7 percent.
- The **Pacific region** should again rank number one in terms of total restaurant sales, with sales of $25.7 billion expected in 1987.
- **Arizona** is forecast to have the largest percentage increase in sales in 1987, with an advance of 8.9 percent.
- **California** should lead the nation in total restaurant sales—$19.5 billion. **New York** is expected to rank second, with sales of $10.6 billion, and **Texas** should come in third at $10.5 billion.

Economic overview

Regional economic growth will vary dramatically among the nine census regions in 1987. Overall, the best performance should be in the Mountain region where population, employment and personal income growth are expected to be significantly above the national average. Slowest growth should occur in the Middle Atlantic region where these same indicators forecast changes below the national average.

It is worth noting that U.S. regional economic performance is becoming more and more integrated with the world economy. For example, changes in the world price for oil or fluctuations in the value of the U.S. dollar in world markets can directly influence employment, tourism levels and, ultimately, restaurant sales within a region.

Many state governments and local business leaders are now aware that local economic health is closely connected to international economic developments. Some states have established offices in foreign countries to encourage foreign capital investment in their states and to facilitate the export-import trade. The end result is an economic environment which is more hospitable to both domestic and foreign growth business. When a region's economy grows, its restaurant sales can also be expected to increase.

The New England region is a good example of an area that has staged an economic comeback. Just a few years ago, the area was suffering the typical problems associated with a poor industrial mix. Today, population, total employment and personal income growth are all above national averages. Consequently, New England's eating place sales are forecast to increase a healthy 7.2 percent in 1987.

Changing a region's economic base to capture growth businesses can be a slow process. Even now, the New England economy remains vulnerable to significant fluctuations in world energy prices and military defense contracts.

Percent change in the regional economies 1986–1987

Region	Population	Total employment	Manufacturing employment	Personal income
New England	1.2%	2.1%	1.2%	3.9%
Middle Atlantic	0.2	1.0	−0.4	2.5
South Atlantic	1.5	2.3	1.9	4.4
East North Central	0.2	1.1	nc*	2.5
West North Central	0.3	1.2	1.4	3.0
East South Central	0.5	1.3	1.7	3.6
West South Central	1.1	2.0	2.6	4.3
Mountain	2.2	3.0	4.0	5.3
Pacific	1.6	2.5	2.2	4.1
Total U.S.	**0.9**	**1.8**	**1.2**	**3.8**

*no change

Source: National Planning Association, Regional Economic Projections Series, National Restaurant Association

Percent change in state and regional economic indicators: 1986–1987

	State	Population	Total employment	Manufacturing employment	Personal income	Eating place sales ($000) 1986	Eating place sales ($000) 1987	Percent change
New England	Connecticut	0.8%	1.8%	0.4%	3.2%	$ 2,135,045	$ 2,284,498	7.0%
	Maine	0.9	1.8	1.1	3.8	635,060	678,244	6.8
	Massachusetts	1.2	2.1	1.4	3.9	4,831,167	5,183,842	7.3
	New Hampshire	2.6	3.3	2.7	5.9	666,676	720,677	8.1
	Rhode Island	1.5	2.3	1.0	4.1	575,475	615,183	6.9
	Vermont	1.1	1.8	1.8	4.0	327,408	352,291	7.6
	Total region	**1.2%**	**2.1%**	**1.2%**	**3.9%**	**$ 9,170,831**	**$ 9,834,735**	**7.2%**
Middle Atlantic	New Jersey	0.5%	1.8%	−0.2%	4.0%	$ 4,044,031	$ 4,282,629	5.9%
	New York	0.1	0.7	−0.5	1.8	10,071,966	10,635,996	5.6
	Pennsylvania	0.2	0.9	−0.5	2.5	5,478,481	5,796,233	5.8
	Total region	**0.2%**	**1.0%**	**−0.4%**	**2.5%**	**$19,594,478**	**$20,714,858**	**5.7%**
South Atlantic	Delaware	0.7%	1.3%	0.2%	2.8%	$ 343,269	$ 365,925	6.6%
	District of Columbia	−0.5	−0.2	−1.7	−3.8	704,464	742,505	5.4
	Florida	2.8	3.7	3.6	5.3	6,970,213	7,548,741	8.3
	Georgia	1.3	2.1	1.8	4.7	3,191,874	3,440,840	7.8
	Maryland	0.6	1.6	−0.3	3.9	2,524,158	2,670,559	5.8
	North Carolina	1.3	2.1	2.1	4.6	2,960,365	3,200,155	8.1
	South Carolina	1.2	2.1	1.7	4.6	1,543,328	1,665,251	7.9
	Virginia	0.8	1.7	1.9	4.2	2,956,706	3,178,459	7.5
	West Virginia	−0.3	0.4	−1.0	2.3	650,223	686,635	5.6
	Total region	**1.5%**	**2.3%**	**1.9%**	**4.4%**	**$21,844,600**	**$23,499,070**	**7.6%**
East North Central	Illinois	0.1%	0.8%	−0.7%	2.2%	$ 5,545,739	$ 5,861,846	5.7%
	Indiana	0.2	1.1	0.3	2.9	2,862,201	3,039,657	6.2
	Michigan	0.3	1.1	nc*	2.4	4,462,271	4,730,007	6.0
	Ohio	0.2	1.0	−0.2	2.5	5,567,760	5,890,690	5.8
	Wisconsin	0.7	1.6	1.2	3.4	2,210,201	2,353,864	6.5
	Total region	**0.2%**	**1.1%**	**nc***	**2.5%**	**$20,648,172**	**$21,876,064**	**5.9%**
East South Central	Alabama	0.5%	1.4%	2.0%	3.6%	$ 1,407,178	$ 1,497,237	6.4%
	Kentucky	0.2	1.1	1.5	3.2	1,586,736	1,693,047	6.7
	Mississippi	0.5	1.2	2.0	3.6	817,040	872,599	6.8
	Tennessee	0.7	1.6	1.4	4.0	2,304,047	2,469,938	7.2
	Total region	**0.5%**	**1.3%**	**1.7%**	**3.6%**	**$ 6,115,001**	**$ 6,532,821**	**6.8%**
West North Central	Iowa	−0.1%	0.7%	0.9%	2.2%	$ 1,111,056	$ 1,166,609	5.0%
	Kansas	0.3	1.4	2.3	3.5	1,094,275	1,162,120	6.2
	Minnesota	1.1	2.0	1.9	3.9	2,082,699	2,224,322	6.8
	Missouri	0.1	0.9	0.7	2.7	2,502,704	2,647,861	5.8
	Nebraska	0.2	1.1	1.5	2.8	752,427	793,058	5.4
	North Dakota	−0.1	0.8	3.9	2.8	269,376	286,347	6.3
	South Dakota	nc*	0.8	3.7	2.8	283,170	298,744	5.5
	Total region	**0.3%**	**1.2%**	**1.4%**	**3.0%**	**$ 8,095,707**	**$ 8,579,061**	**6.0%**
West South Central	Arkansas	0.8%	1.7%	2.4%	3.8%	$ 904,582	$ 964,284	6.6%
	Louisiana	0.6	1.5	1.4	3.8	2,336,900	2,498,146	6.9
	Oklahoma	0.7	1.4	2.7	3.6	1,960,620	2,093,942	6.8
	Texas	1.4	2.2	2.8	4.6	9,774,686	10,506,056	7.5
	Total region	**1.1%**	**2.0%**	**2.6%**	**4.3%**	**$14,976,788**	**$16,062,428**	**7.2%**
Mountain	Arizona	3.3%	4.2%	4.2%	6.3%	$ 1,782,300	$ 1,940,925	8.9%
	Colorado	2.1	3.0	4.0	5.1	2,245,331	2,433,939	8.4
	Idaho	1.2	2.1	3.0	4.4	411,883	440,303	6.9
	Montana	0.4	1.2	1.3	3.6	385,598	409,891	6.3
	Nevada	2.6	3.4	5.0	6.0	640,049	691,893	8.1
	New Mexico	1.7	2.5	4.4	4.8	759,574	824,138	8.5
	Utah	2.0	2.9	4.4	5.6	608,118	649,470	6.8
	Wyoming	1.1	1.4	1.6	3.7	304,888	328,974	7.9
	Total region	**2.2%**	**3.0%**	**4.0%**	**5.3%**	**$ 7,137,741**	**$ 7,719,533**	**8.2%**
Pacific	Alaska	2.1%	2.9%	3.7%	5.2%	$ 483,906	$ 524,554	8.4%
	California	1.8	2.6	2.1	4.3	18,238,442	19,489,599	6.9
	Hawaii	0.2	1.1	0.4	2.9	1,161,586	1,244,059	7.1
	Oregon	1.1	2.0	1.7	3.6	1,512,476	1,610,787	6.5
	Washington	1.1	1.9	1.4	3.5	2,641,762	2,825,364	7.0
	Total region	**1.6%**	**2.5%**	**2.2%**	**4.1%**	**$24,038,172**	**$25,694,363**	**6.9%**

* *no change*

Source: National Planning Association, Regional Economic Projections Series, National Restaurant Association

New England

Major industries

- High technology
- Defense
- Manufacturing
- Service
- Textiles and apparel
- Tourism

Outlook

- Total employment, population and personal income increases for the region should continue to outpace the national average.
- New business development and increased defense spending, including research dollars from the Star Wars program, will help increase regional employment and offset any slump experienced by the computer, high-technology and manufacturing industries.
- Economic growth should increase at a faster pace than expansion of the labor force, increasing the pressure to raise wage levels to deal with spot labor shortages.
- The construction boom should continue, and the region's export-oriented industries should experience an increase in orders because of the declining value of the dollar abroad.
- Total eating place sales for the region should reach $9.8 billion, a 7.2 percent increase over the prior year.
- Massachusetts is forecast to lead eating place sales for the region at $5.2 billion, and Connecticut should place second at $2.3 billion.

Middle Atlantic

Major industries

- Manufacturing/heavy industry
- Service
- Tourism
- Finance
- High technology

Outlook

- The region's population, employment and personal income growth should show modest increases; however, all are predicted to come in below the national averages.
- Progress is slowly being made in the region by targeting high-growth industries and diversifying existing industries away from heavy manufacturing.
- Tourism is playing a bigger role along with the housing, retailing and banking sectors, which are also showing increased strength.
- Eating place sales are projected to reach $20.7 billion in 1987, a 5.7 percent advance.
- New York should lead the region with total eating place sales of $10.6 billion.
- Eating place sales are expected to advance 5.9 percent in New Jersey, the largest percentage increase for the region.

East North Central

Major industries

- Automobile
- Steel
- Rubber
- Robotics
- Agriculture

Outlook

- While population, total employment and personal income should increase at a slower pace than the national average, the region shows signs of staging a comeback.
- Increased use of high technology in the automobile and steel industries should increase output and productivity levels.
- State officials and private industry leaders are working together to foster an environment that is more conducive to new business growth.
- Foreign auto manufacturers continue to build new production facilities in this area. Michigan is expected to produce one-third of the country's robots in 1987.
- The region's eating place sales are forecast to increase 5.9 percent in 1987 to $21.9 billion.
- Eating place sales are expected to show the most significant increase in 1987 in Wisconsin, growing 6.5 percent.

How the regional forecast was prepared

The economic and sales data for the states have been arranged according to the nine census regions. Included for each state are revised eating place sales for 1986, projected 1987 sales figures and information on personal income, employment and population. Much of the economic data in this report is based on information obtained from such sources as the Bureau of Economic Analysis, the Bureau of Labor Statistics, the National Planning Association and the Chamber of Commerce.

The estimates for eating place sales used here were prepared in consultation with the research firm Malcolm M. Knapp, Inc. State-by-state historical eating place sales trends between 1972, 1977 and 1982 form the basis for these projections. Special attention was paid to growth trends between 1977 and 1982 for refreshment places (fast food) and restaurants and lunchrooms for each state. Sales figures were then adjusted to reflect current and projected income and population data.

A few reminders

Here are a few things to keep in mind when using the regional sales figures in this report:

- Sales projections for 1987 are based on the best available data in September 1986. If the outlook for general economic conditions or the food situation changes significantly in 1987, these projections will require adjustment.
- Adjustments were made to arrive at a predetermined U.S. total.
- Sales figures for each state are subject to greater error than the national projections.
- The actual sales figures are a better indication than percent changes of the size of the restaurant industry in respective states. Actual sales figures represent an overall allocation of total sales in the U.S., while percent changes are subject to more variation. Percent changes have been shown here as a convenience to *1987 Forecast* readers.
- The sales information for states and regions is for all establishments. They represent the U.S. Census Bureau's definition of eating places (SIC Code 5812) and include figures for operations with payroll and without payroll as well as contract feeding. As a result, the sales figures for states and regions will not equal the total for eating places.
- Regional projections were not done separately, and, as a result, regional totals are sums of state data.

South Atlantic

Major industries

- Service
- Textiles and apparel
- Agriculture
- Manufacturing
- Defense
- Tourism
- High technology

Outlook

- The mix of service and traditional manufacturing industries will enable the area to post population, employment and personal income gains significantly above the national average.
- Employment in the basic industries of textiles and agriculture should continue to decline, but it will be more than offset by gains in the high-technology and service sectors.
- Florida is expected to show the second-highest population growth in the United States for 1987—2.8 percent.
- Total eating place sales should jump a substantial 7.6 percent to $23.5 billion in 1987.
- Florida should lead the region in total restaurant sales—$7.5 billion.

East South Central

Major industries

- Textiles and apparel
- Oil and gas
- Defense
- Automobile
- Paper and lumber

Outlook

- The apparel and textile industries should pick up performance since the decline of the dollar and lower interest rates will make imports less competitive.
- Stronger auto sales should send positive ripples throughout the region as related industries benefit. However, the oil and gas industries should face depressed prices and oversupply.
- Population and employment growth should continue to be below the national average.
- Total eating place sales for the region are forecast to reach $6.5 billion, a 6.8 percent increase over last year.
- Mississippi is expected to post the largest eating place sales increase—6.8 percent—while Tennessee should be the leader in the region in terms of eating place sales at $2.5 billion.

West North Central

Major industries

- Agriculture
- Aerospace
- Defense
- Farming equipment

Outlook

- States with economies not entirely dependent upon agriculture and its associated industries should outperform the regional average.
- Increased military spending and a growing aerospace/commercial aviation sector should boost the region's economy. However, growth in population, total employment and personal income should remain far below the national averages.
- Sales of new farm equipment are expected to remain depressed due to the trouble in the agriculture economy.
- The region is expected to record eating place sales of $8.6 billion, a 6.0 percent advance over 1986.
- Minnesota should lead the region with the largest increase in eating place sales, up 6.8 percent to $2.2 billion.

West South Central

Major industries

- Oil and gas
- Defense
- Chemicals
- High technology
- Finance

Outlook

- Despite the drag of the energy sector on the regional economy, the region is expected to post population, employment and personal income gains above the national average.
- Lackluster, short-term performance in the construction sector should continue because of lower demand for petroleum.
- Continued growth in the service and high-technology sectors should aid the regional economy. Defense contracts, in particular, should increase employment for shipbuilding and aerospace firms.
- Eating place sales are expected to reach $16.1 billion, a 7.2 percent increase over the year before.
- Texas should post the most significant increase in eating place sales for the region—up 7.5 percent to $10.5 billion.

Mountain

Major industries

- High technology
- Defense
- Mining
- Construction
- Energy

Outlook

- The nation's strongest population, employment and personal income growth is expected in this region during 1987.
- The region's energy and mining industries should continue to be battered by low prices, but strong growth in the high-technology and defense areas should boost the region's economy.
- Arizona is expected to demonstrate the country's highest growth in 1987 for population (2.2 percent), total employment (3.0 percent) and personal income (5.3 percent).
- Eating place sales are projected to be $7.7 billion in 1987, an 8.2 percent advance.
- Colorado should lead the region with eating place sales of $2.4 billion. This represents an 8.4 percent advance over last year.

Pacific

Major industries

- Electronics/high technology
- Aerospace
- Defense
- Lumber
- Agriculture
- Tourism

Outlook

- Growth in the region should remain strong as the decline of the dollar abroad allows the electronics and lumber industries to stabilize.
- The weaker U.S. dollar is also expected to stimulate foreign tourism in the region.
- The area is expected to post a healthy 4.1 percent increase in personal income in 1987.
- The region should show higher-than-average growth in population and employment income.
- The defense-related electronics and aerospace industries are expected to demonstrate robust growth.
- The region's eating place sales are projected to reach $25.7 billion, the highest volume in the U.S. This represents a 6.9 percent advance over last year.
- California should lead the region and the nation with eating place sales of $19.5 billion, up 6.9 percent from 1986.

1986 update

The National Restaurant Association's updated *1986 Forecast* indicates that the foodservice industry continued its expansion in both real and current dollars, but the gains were just slightly below the original forecast. Consumers continued to make major durable goods purchases, particularly automobiles, in response to various financing incentives. Accordingly, an increased consumer debt load in 1986 decreased cash available for entertainment and restaurant meals.

According to CREST, traffic at the nation's restaurants increased 2.5 percent in the

Foodservice industry food and drink sales 1985–1986

	[illegible]	[illegible]	Percent change	
	1985	1986	Current dollars	Constant dollars
Commercial Foodservice Group	$152,174,215	$162,921,460	7.1%	3.2%
Eating places	$111,130,863	$119,021,154	7.1	3.3
Restaurants and lunchrooms	58,444,122	62,221,912	6.5	2.7
Limited menu restaurants	46,735,840	50,474,707	8.0	4.2
Commercial cafeterias	3,273,444	3,456,756	5.6	1.8
Social caterers	1,301,600	1,390,109	6.8	3.0
Ice cream, frozen custard stands	1,375,857	1,477,670	7.4	3.6
Bars and taverns	$ 8,238,418	$ 8,502,047	3.2	−0.6
Total eating & drinking places	$119,369,281	$127,523,201	6.8	3.0
Institutional Foodservice Group	$ 21,198,647	$ 21,771,272	2.7	−1.1
Military Foodservice Group	$ 884,416	$ 946,026	7.0	3.2
Total industry sales	**$174,257,278**	**$185,638,758**	**6.5%**	**2.7%**

Gallup survey examines trend toward

The decision to go to a fast food place instead of another type of restaurant is overwhelmingly motivated by a need for convenience. According to an October 1986 Gallup survey conducted for the National Restaurant Association, approximately 94 percent of adult consumers cite convenience as the reason for choosing a fast food place over another restaurant, nearly three times the number that choose moderately priced restaurants for the same reason. The upscale segment was not included in this survey.

Time pressures are key

This need for convenience, which is bolstered by demographic trends and lifestyle changes, is the driving force behind fast food restaurant growth. It is also the basis of the growing competition from grocery and other retail stores.

An analysis of responses to the Gallup survey suggests the consumer's need for convenience is multifaceted, but it is most likely to be motivated by time pressures. More than one-half of the adults describe a time-pressured occasion when asked about the circumstances under which they go to a fast food place. A time-pressured occasion is one where the consumer cites a lack of time, is in a hurry and wants a quick meal.

Other convenience-associated circumstances include those that are related to

- location, such as away-from-home shopping/traveling or proximity to the restaurant (15 percent)
- ease, such as taking the children out to eat or not wanting to cook (16 percent) and
- unspecified convenience circumstances (11 percent).

winter, a stronger 3.2 percent in the spring, and was up only 0.3 percent during the summer months. Traffic is expected to remain slightly below real GNP growth for the remainder of the year in response to increased purchases of durables.

In addition, CREST data showed that promotional usage increased during the first three quarters of the year. The proportion of restaurant visits on which a deal was used increased over the same quarters in 1985 and 1984. Consumers appeared to be using promotional coupons and other discounts in order to stretch their food-away-from-home dollars.

1986 traffic performance highlights

The quickservice segment experienced consistent traffic gains in 1986. Customer counts were up a strong 7.4 percent in the winter, 5.5 percent in the spring and 2.5 percent in the summer.

Midscale restaurants posted traffic declines in the first three quarters of 1986, continuing the trend of 1985. Traffic declined 6.9 percent in the winter, 0.8 percent in the spring and 5.4 percent in the summer.

Upscale restaurant traffic decreased 1.4 percent in the winter and 0.8 percent in the spring and remained unchanged in the summer quarter.

1986 sales performance highlights

According to the National Restaurant Association's revised *Forecast,* **foodservice industry sales** are now projected to reach $185.6 billion in 1986. This represents an increase of 6.5 percent in current dollars and 2.7 percent in constant dollars.

Sales for the **Commercial Foodservice Group** are now expected to total $162.9 billion in 1986, up 7.1 percent from 1985 sales of $152.2 billion. Adjusted for inflation, this is a 3.2 percent gain.

The **Institutional Foodservice Group** is expected to post sales of $21.8 billion, up 2.7 percent over 1985. **Military Foodservice Group** sales should reach $946 million, up 7.0 percent over sales of $884 million posted in 1985.

Eating place sales are projected to reach $119.0 billion in 1986, an advance of 7.1 percent. In real dollars, sales should advance 3.3 percent. Restaurant and lunchroom sales are now forecast to advance to $62.2 billion, up 6.5 percent over 1985. Adjusted for inflation, this is an increase of 2.7 percent. Sales for limited menu (fast food) establishments are expected to reach $50.5 billion, a strong 8.0 percent gain. Real sales, after adjusting for inflation, should advance 4.2 percent.

convenience 12

Those who are most likely to cite a time-pressured occasion as the reason for selecting a fast food place are customers who go to fast food places more than once a week. Twenty-six percent of adults say they go to a fast food place more than once a week. Among these frequent customers, nearly two-thirds (64 percent) cite the time-pressured occasion.

As visit frequency decreases, the time-pressured occasion becomes less important. For instance, of the 13 percent of respondents who say they visit a fast food place less often than once a month, slightly less than one-half (49 percent) cite the time-pressured occasion.

Demographic profile

Consumers who are most likely to cite time-pressured occasions for choosing fast food places have the same demographic profile as frequent customers. They are more likely to be

- males
- young consumers, 18 to 34 years of age
- members of three-or-more-member households
- members of households with annual incomes of $30,000 or more and
- full-time working women.

According to CREST, customer traffic at quickservice restaurants was up nearly five percent in the first three quarters of 1986 versus one year earlier. At the same time, traffic at midscale and upscale restaurants was virtually unchanged. This performance, coupled with the expansion of take out and home delivery, demonstrates the strength of the consumer's need for convenience.

Both demographic trends, such as the increase in dual-career families with small children and single-parent households, and changing consumer lifestyles will continue to boost time pressured occasions in the future. In general, consumers report that they are working a greater number of hours. In addition, they say they are participating in more recreational and cultural leisure activities. All these trends suggest there will be more time-pressured eating occasions in the future.

The need for convenience has also attracted the attention of supermarkets, other retail stores and food processors. Each group is making an effort to capture a share of the consumer's take-out food dollars.

The midscale dilemma

At a time when convenience is a driving force behind industry expansion, much of the midscale sector is unaffected. Visits to midscale restaurants are more likely to be discretionary, social occasions, instead of necessary, functional ones. The midscale dilemma is that although consumers are well satisfied with the convenience provided by moderately priced family restaurants, they do not generally identify this segment with the time-pressured convenience occasion.

The time-pressured occasion was cited as the reason for visiting a midscale restaurant by only five percent of consumers, and all convenience associated circumstances were cited by 33 percent of respondents. The Gallup survey shows that moderately priced family restaurants are chosen by consumers for social occasions, when dining with family or friends or for special occasions. They are chosen because they are affordable, have good food and a pleasant atmosphere. At a time when cash is tight, consumers are not able to visit midscale restaurants as frequently as they might like.

However, their reasons for selecting these restaurants, coupled with high customer satisfaction for virtually all aspects of the moderately priced family restaurant occasion, suggest that if the cash pinch eases, these restaurants should enjoy renewed growth.

—Kate Conroy
—Claire Regan
—Hudson Riehle

Editor's note: *For a more detailed discussion of the Gallup survey results, look for the January 1987 issue of* ***Restaurants USA.***

How the *1987 Forecast* was prepared

The National Restaurant Association's projections for 1987, revised projections for 1986 and final estimates for 1984 are published here. Comparable historical sales data encompassing the entire period from 1970 through 1984 have been recently published by the association in *Foodservice Numbers.*

The association's annual industry forecast for 1987 includes both nominal and real percent changes in sales for all industry sectors. Real growth is calculated separately for each market segment. In the case of eating places, the projected percent increase in menu prices is subtracted from the percent increase in sales. For drinking places, it is necessary to make a special estimate of the inflation factor, which is weighted more heavily toward alcoholic beverages.

For other industry sectors, such as colleges and universities where expenses are largely determined by food costs, a modification of the Producer Price Index for food is used. Modifications to this index are based on historical patterns for each industry sector. The food cost component constitutes the base percent increase, which is adjusted to reflect population changes and other pertinent factors, such as labor and overhead costs.

To arrive at real 1987 sales figures for the total foodservice industry as well as for the Commercial and Institutional Groups, current 1986 sales were multiplied by the respective 1987 real growth factors. The real sales figures for each of these sectors were added and compared with 1986 sales to obtain overall real growth for the industry and the two major segments.

A word of caution

Sales projections are based on the best data available in October 1986. If the outlook for general economic conditions or the food situation changes significantly in the coming year, these projections will require adjustment. In addition, the performance of individual companies or sales in local market areas may differ substantially from the U.S. outlook.

Editor's Note: *Questions concerning this report or requests for additional copies should be directed to the National Restaurant Association, Research Department, 311 First St., N.W., Washington, DC 20001; (202) 638-6100 or (800) 424-5156.*

COMPETITION REPORT

GROCERIES

Out to capture on-the-go consumers

by Caroline E. Mayer

Dean Robinson carefully placed two tomato slices on his sandwich roll, then a slice of ham and some pickles to top it off. Reaching for a small bottle of white wine nearby, Robinson was eagerly taking advantage of Safeway's latest answer to fast food chains—a $3.99-a-pound, make-your-own sandwich bar.

A Roy Rogers Restaurant was less than 100 feet away from the Safeway in Crystal City, VA. But, Robinson comments, "I think this is better than fast food. I come here about three times a week for lunch. I get a greater choice, and a chance to build a sandwich as large or as small as I want."

Supermarkets are muscling their way into carry out

Slowly but steadily, supermarkets are muscling their way into the carry-out restaurant business. Having seen their customers spend an increasing amount of their food budgets in restaurants and fast food outlets, supermarkets are aggressively trying to recapture business by offering an array of prepared foods.

From the simple soup, salad and sandwich bars to more sophisticated in-store restaurants and from coffee bars to drive-thru deli windows, grocery chains and convenience stores across the nation are rapidly becoming food manufacturers and servers.

Kroger, the nation's second-largest supermarket chain, for example, has installed sit-down cafes in about one-third of its stores, dishing out hamburgers, salads and cooked chicken, as well as eggs, bacon and pancakes for breakfast.

James A. Parcell, The Washington Post

Chef Pooh Sayasithsena serves breakfast at the Giant supermarket in Baileys Crossroads, VA.

Additionally, Kroger, like Giant Food, Inc., Grand Union Co. and many other supermarkets, offers a host of prepared gourmet foods—from stuffed pork chops to pot roast—for consumers to take home. All they have to do is pop the food in the oven (or microwave) and heat. "With enough advance notice, we even offer suckling pig," says Grand Union spokesman Donald C. Vaillancourt.

Meanwhile, in Princeton, IL, a small grocery chain has installed a drive-thru window, offering pastries and coffee for breakfast, made-to-order sandwiches for lunch and ice cream cones and snacks throughout the day to customers who don't have the time or inclination to park their cars and walk into the store.

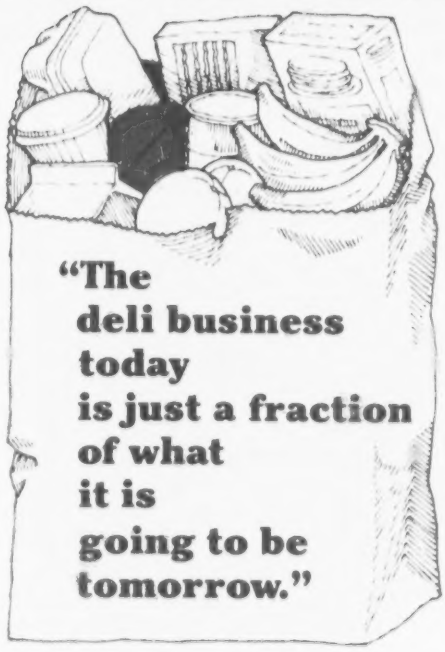
Even the 7-Eleven chain—which probably sells more hot dogs and coffee than any other chain in the United States—is seeking to expand its take-out offerings. In a limited test, the convenience store chain has teamed up with Hardee's and begun cooking Hardee's hamburgers in 7-Eleven stores. Later this year, similar joint ventures are scheduled to be tested with Church's Fried Chicken and the Rocky Rococo pizza chain.

Additionally, 7-Eleven in Richmond, VA, has launched its own line of fast food items—called "The Works"—that will include Philadelphia cheesesteak sandwiches made on the spot. Unlike sandwiches now found at 7-Eleven, these will not be prepared in advance and then refrigerated at the stores.

"In this on-the-go age, fast food is obviously an enormous commodity," surmises Jim Willett, a spokesman for Southland Corp. in Dallas, TX, which owns 7-Eleven stores. "We are certainly interested in capturing a share of that market."

As for Kroger, "Through the years, we have had difficulties with restaurants," says Pat del Brocco, Kroger's vice president for its deli and bakery operations. "We saw more and more food being consumed outside the home. As a result," he adds, "the decision was made not too long ago to aggressively pursue the restaurant business."

Statistics alone explain the reasons behind this decision. According to the latest annual survey of the supermarket industry by the trade magazine *Progressive Grocer*, the amount of money consumers spend on food at home is at a record low—10.3 percent of disposable income. By contrast, in 1980, consumers spent 12.1 percent of their disposable income on food at home. Each percentage point drop amounts to tens of billions of dollars in lost business.



"The deli business today is just a fraction of what it is going to be tomorrow."

Perhaps even more distressing is the latest findings by the Food Marketing Institute (FMI)—that shoppers are making fewer weekly trips to the supermarket. "The average number of trips per week this year is two," down from the 2.3 weekly trips made consistently during the previous four years, FMI concluded in its recent survey of consumer attitudes.

Changes in American lifestyle motivate shift

Food industry officials said these numbers reflect a basic change in the American family and its eating habits. With more women in the work force, American families have less time to prepare food at home—and more money to spend on restaurant and carry out food.

"What we are seeing is a change in lifestyle," notes Ann Brody, a food consultant who was Giant's specialty food coordinator for its Gourmet Giant in McLean, VA—a specialty supermarket that sells gourmet groceries as well as a wide variety of prepared foods.

"There is a lot less cooking going on at home on a regular basis," Brody says. "When I was a kid, going to a restaurant was a treat. Now, we eat so many meals at a restaurant that eating at home is a treat. So the take-home business is a large growth situation."

According to some industry estimates, one out of every four meals eaten at home in 1990 will be prepared elsewhere.

Supermarkets are positioning themselves to take advantage of this forecast, says Ed Weller, president of the Weller Co., a consulting firm in Los Angeles, CA, that advises supermarkets

Fast food offerings include a build-your-own sandwich bar in the Crystal City, VA, Safeway.

James A. Parcell, The Washington Post

on in-store foodservice. There is a generation that has grown up on the convenience of fast food, Weller notes. But, he adds, "There has been some disenchantment with fast food and its limited offerings — it's not that exciting anymore. With greater health consciousness and a growing awareness of what good food is, supermarkets have something to offer as an alternative."

Until recently, Weller says, technology has limited the types of prepared foods available in supermarkets. In many stores, barbecued chicken, macaroni and cheese and other prepared foods were offered on a hot steam table. "Yet," recalls Mark Polsky, vice president of the Washington, DC-area Magruder's chain, "if you didn't stir it every five minutes, it looked like the food had been sitting there four to five days." As a result, consumers didn't buy it, and supermarkets threw a lot of the food away.

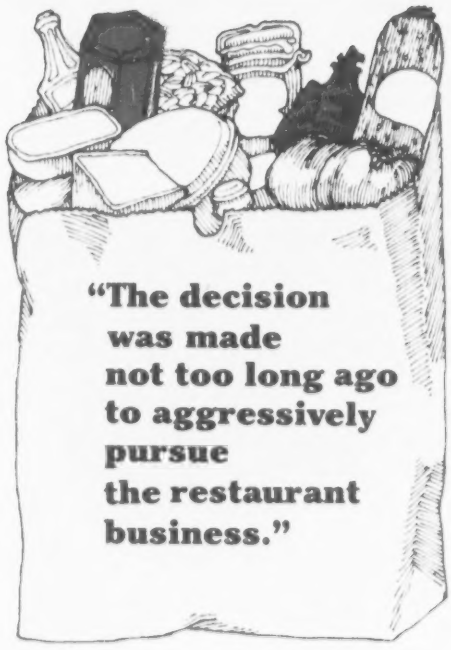
New technology makes it easier to prepare food

Today, "Food technology is light years ahead of where it was five years ago," Weller observes. Vacuum packaging and freezing methods have made it possible for grocers and food manufacturers to prepare delicious, ready-to-eat foods with no preservatives that can last on the shelves or in the freezer for much longer periods of time. And the microwave has made consumers more eager to buy prepared foods.

Consequently, Weller says, it is not surprising that virtually all of the new supermarkets being built today include some form of service delicatessen and bakery.

"About 19,000 of the 38,000 supermarkets in this country now have bakeries and or delis. That's double what it was seven years ago," explains Weller. "Five years ago, if delis and bakeries contributed 2.5 percent to a store's sales, we would say that was outstanding. Today, delis and bakeries should account for at least five percent of a store's overall sales."

The Safeway in Crystal City, VA, reflects what is going on throughout the supermarket industry. The store, in the "Underground" mall, was remodeled a year ago to include a salad and sandwich bar. Three months ago, a frozen yogurt machine was added to allow customers to carry out one of two daily flavors of yogurt.



"The decision was made not too long ago to aggressively pursue the restaurant business."

Before the remodeling, the store sold prepared sandwiches and hot dogs. But its deli business was so small that the cash registers didn't even have a special key to ring up "deli" sales. Today, as a result of the new carry-out services, a deli key has been added to the register and has been ringing up about 26 percent of the store's sales, according to store manager Gary Marland.

"By noon, this place is like a sardine can," Marland says, noting the crowds drawn to the store by the salad and sandwich bars. "We have about 23,000 customers a week"—an increase of about 7,000 since the remodeling.

Meanwhile, Giant is experimenting with a "breakfast bar," dishing up eggs, pancakes, sausages, bacon and hash browns for $3.49 a pound at four of its stores where traffic is heavy in the morning.

At its newest stores, Giant has advanced the fast food business even further, installing a large kitchen to prepare and sell gourmet entrees, such as beef Stroganoff, sesame chicken salad and cornish hens stuffed with pate and rice. "We are offering enjoyable, good meals that you don't have to prepare," says Milton Weinstein, director of Giant's deli-dairy merchandising.

Food manufacturers are developing new lines

For supermarkets that don't have kitchens, large food manufacturers are eagerly rushing in, providing a variety of fresh, frozen and even canned entrees, to help them expand their product line.

Campbell Soup Co., for instance, last year test marketed "Today's Taste" — a refrigerated line of fresh entrees (from fish to veal), salads, soups and desserts in Washington, DC, at several supermarkets. The food was prepared at an area kitchen and delivered to each store daily.

The test did not prove economical. "The product was very expensive for the consumer," says Polsky of Magruder's. It also was expensive for Campbell's, which found that the extremely short shelf life of the product meant too much of the food had to be thrown away, according to Tony Adams, director of Campbell's marketing research and planning.

Campbell's, however, continues to develop other take-out lines, including Fresh Chef, a line of salads (chicken, pasta, fruit and seafood), sauces (classic tomato, pesto, red and white clam and Alfredo) and soups (cream of tomato, cream of mushroom and chicken vegetable).

General Foods, meanwhile, is test marketing "Culinova," another line of fresh, refrigerated entrees, ranging from ground veal in a spinach stuffing topped with a champagne sauce to filet mignon served with a peppercorn sauce. It also has introduced "Impromptu" — a line of complete dinners that don't need to be refrigerated or frozen.

ConAgra, Inc., confident of the future of take-out foods, has set up a new subsidiary to sell a complete line of delicatessen products, from the traditional meats and cheeses to prepared gourmet entrees to fancy, caloric desserts.

"The deli business today is just a fraction of what it is going to be tomorrow," predicts Jim Babka, president of the new subsidiary, ConAgra Deli Co.

That prediction is drawing concern at some major fast food providers. "It is not a great threat now, but it is certainly something we are looking at," says Joyce Myers, manager of public and corporate relations for Burger King Corporation in Miami, FL. "It's an area that competes for the stomach, and that's where our business is." ❑

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Viewpoint

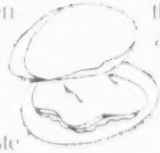
Seafood Profits
Don't let them sail away

By Lee J. Weddig

During the past three years the per capita consumption of fish and seafood has risen by 18 percent. This is an unprecedented rise in the use of fish and seafood and denotes a pronounced change in consumer eating habits. The change has come about in all categories: canned fish, shellfish and finfish. People are eating more fish at home, but they are also ordering it more often when they dine out. But will this trend continue? As this viewpoint indicates, it can if you do your part.

The ability to prepare fish and seafood in so many styles and recipes makes it the most diverse of the center-of-the-plate items. Beef is beef, pork is pork, but fish is everything from albacore to green-lipped mussels from New Zealand. So we must be partners in bringing good taste and variety to the consumer.

From my side of the partnership, I would like to say that my industry needs your help in three specific areas. We need you to preserve and enhance the positive feeling about fish and seafood.

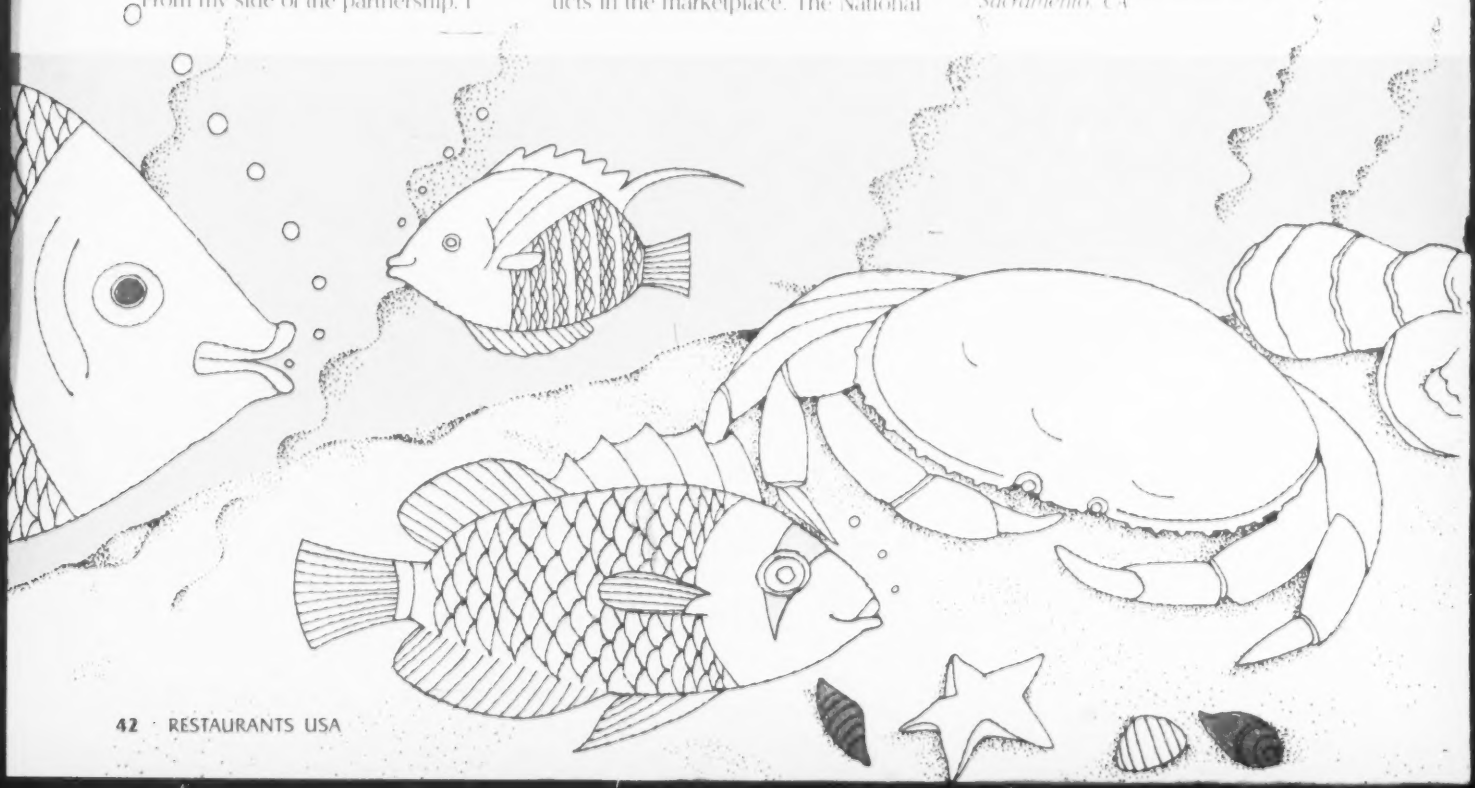


Demand quality. First, we need your help to continue the united drive to improve the quality of fish and seafood products in the marketplace. The National Fisheries Institute (NFI) has been working hard to upgrade the quality of seafood in the market, urging all members of the industry to recognize quality and demand it. When we say quality, we mean product that is wholesome and fit to eat, is properly labeled and identified, and has the sensory qualities of taste, texture and odor that are appropriate to the species handled under good manufacturing conditions.

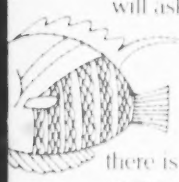
I believe that our industry is making progress in this area, but we do need your help to speed up the entire drive. We want you to *demand* quality from your purveyors. Do not settle for the substandard. Insist that the product be delivered in properly refrigerated condition. Do not accept the so-called "tired fish." Do not accept overglazed or undercounted product. Be sure you are getting what you ordered and what you paid for.

NFI is working on a program to improve the federal government inspection program for fish and seafood products. While this is pointed pri

Lee J. Weddig is executive vice president of the National Fisheries Institute, 2000 M St., N.W., Suite 580, Washington, DC 20036. This viewpoint is an excerpt from a speech he delivered this summer before the American Culinary Federation in Sacramento, CA.



marily at wholesomeness and labeling, inevitably it will improve the sensory aspects of quality as well. We want a system that is designed specifically for the seafood industry, providing a means of preventing unwholesome product from reaching the market place. We do not believe that the inspection system in place for meat and poultry should be applied to wholesale seafood since it was designed to provide protection against different ills. We need a specific system designed for seafood products, and we are working to get it. At the appropriate time, we will ask you for help to achieve this goal.



Help maintain the source of supply. There are those who would indicate that there is something dirty about fishing commercially or something wrong with fishing with nets as opposed to applauding the most efficient way of harvesting the product and allowing it to be brought economically to the marketplace—to you and your customers.

Certain fishery regulations are being set by government to exclude entirely the commercial harvest of the resource for consumers. This is dead wrong. We have seen the elimination of commercial harvest of walleye pike from most of our northern lakes. There are restrictions on the harvest of salmon in certain parts of the West. Striped bass is gradually being restricted to recreational use. The bluefish is being restricted, mackerel is being restricted, bluefin tuna is being restricted, and in the Gulf of Mexico a very bitter struggle is taking place over the disposition of the redfish.

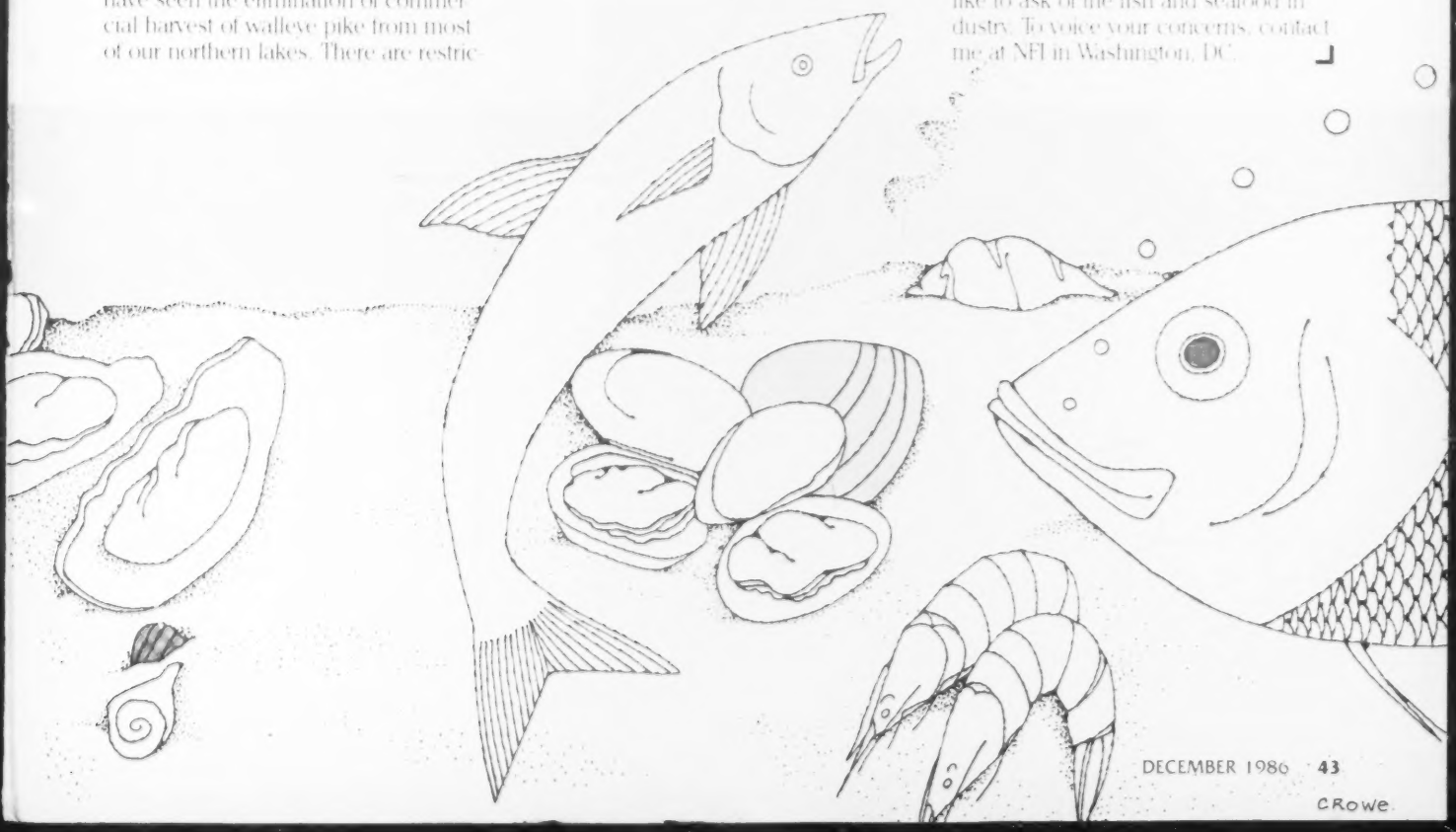
We do not and cannot object to conservation measures that are employed on the basis of scientific management principles. These can include restrictions on the size of the product allowed to be caught, the seasons in which it can be caught and the tonnage which can be taken. But we do object totally to the exclusion of commercial fishing because, one by one, the products that you serve are going to be reserved for minority interests, and the commercial user will be dependent more and more upon imported products.

Use new species. A third area in which we need your help is in innovative use of new species. Here you have already shown yeoman-like performance which is benefiting you in more exciting menus and the ability to offer more extensive taste experiences to your customers. As we reach the limits on the availability of the accepted resources, we must look at new species. There are many ocean fish presently not popular but which can be made available in some cases in large volume. How many years ago would someone have thought of an orange roughy on the menu or shark or mussels or tilefish or monkfish? What was relatively uncommon a few years ago, now is considered to be rather routine.

So we invite you to look at such species as farm-raised catfish, Alaska pollock, mackerel and the many forms of fresh tuna to add variety to your menus.

Your innovation, too, must take advantage of the new information flowing from the medical research laboratories. The benefits of the polyunsaturated fatty acids found only in fish can be negated by too much saturated fat in the serving. So we urge you to use your skills to take advantage of what nature is providing and bring the food to the table in a manner that does not detract from the healthful characteristics of the product itself.

I am sure there are things you would like to ask of the fish and seafood industry. To voice your concerns, contact me at NFI in Washington, DC. ⌟



CRowe

Fisher's Law #78

"You're de-hired!"

One of the least desirable tasks faced by managers is the firing of a subordinate. I have known many otherwise competent, aggressive managers who simply could not, or would not, take the action themselves to terminate an employee, deserved though it may have been. Instead, they delegated the task to someone else, thereby avoiding personal contact with the subordinate getting "the news." In other circumstances, I have observed managers calling together a committee to diffuse the responsibility of telling the subordinate of the action that is being taken to separate him or her from the organization.

Termination, when necessary, justified and documented, is a management responsibility, and it should not be avoided. Adept managers need to shoulder the distasteful tasks of organizational life, just as they do the delightful ones. A one-shouldered manager, figuratively speaking, is unbalanced.

Four circumstances for termination

There are four sets of circumstances where termination action is called for. The first three should cause no anxiety; the fourth generally calls for some soul searching. The first three are deceit, theft and disloyalty. The fourth circumstance is incompetency.

□ **Deceit.** Deceit can be outright lying, or it can be the selective omission of facts calculated to lead management in a direction that is different from what would otherwise have been the case. Some people twist the truth, embellish it or tell only a portion of it. That's insidious.

□ **Theft.** Theft is both tangible and intangible. Tangible theft is the stealing of inventory, supplies or equipment; cheating on expense reports, and so forth. Intangible theft is the pilferage of time, such as calling in sick when one is well or taking a business trip that is unnecessary or has more personal gratification attached to it than organizational benefit.

□ **Disloyalty.** Disloyalty to the organization can include giving confidential information to competitors, "competing" with the company and/or violating company policies. Moral turpitude and drug dealing are two of many examples.

Such personnel actions require correct handling, that is, warnings for minor situations and suspension or termination for more serious breaches. Human resource professionals call this approach "documented progressive discipline." A good way to handle some cases, I have found, is to confront the individual and take immediate action. For example, you might say, "There is a serious and clear violation of policy that has occurred, and it is in your best interest, as well as this company's, to effect an immediate transition."

You really do need to act fast, for keeping the individual on the premises can lead to a destructive backlash and possible sabotage, and it can contaminate morale among other employees. While the situation should be handled rapidly, it should also be handled as quietly as possible to minimize disruption.

□ **Incompetency.** The more difficult area is where the individual is incompetent. It may have been a gradually developing incompetence (time has passed him/her by), a misfit of person and function ("a square peg trying to fit a round hole"), an incompetent recruitment and selection or an uncharacteristic lapse of business responsibility, attention to duty or sensitivity to decision making. If the person's performance is not correctable, then severance action needs to be taken. Here is one way to handle it.

Visit the individual in his/her office, early in the day, early in the week and close the door. By going to his/her office, you can leave when you are finished—a necessary element of control. It also keeps the individual in a comfortable environment, that is, his/her office. Not having to walk out of your office spares the employee the feeling that everyone in the organization is looking, etc.

What to say when you de-hire

When you are behind closed doors, you can tell the individual, "What I am going to say to you will not be pleasant for you to hear nor is it pleasant for me to say. I'll be professional on my part. I hope you will be likewise. I have been dissatisfied with the progress and course of events as they have occurred in the past several months. As you know, attainable objectives have not been met, and the overall direction in which we are currently headed in your function is not acceptable. Accordingly, I have made an irrevocable decision to make a change that I believe to be in the organization's best interest as well as yours. I am directing you to take immediate steps to seek other employment. I would like for that to be effected no later than two months from today, and I will be pleased to receive your written resignation.

"In return for this opportunity, we expect continuing loyalty and high regard from you for the organization and all of the people who comprise it, both individually and collectively. If we determine that such is not the case, then other action by us will be taken immediately.

"I will document this conversation in a confidential letter to you, which will also include other details related to your separation, such as accrued vacation, termination provisions of group insurance coverage and so forth.

"Understandably, what I have just said to you is distressing, but let me also say that I regard this as a 'de-hiring action' and not a 'firing action,' which is in your best career interest and the organization's long-term interest.

"We are intent on effecting this change in a professional manner and expect that this approach will be reciprocated by you. Our human resources department stands ready to assist you with appropriate matters and to answer any questions you may have. I am sincere when I say, 'Thank you for the service you have provided to the organization, and I wish you well in the future.'"

Fisher's Law #78: There is a time to fire, and there is a time to de-hire. The adept manager can distinguish the difference.

1 NEW ENGLAND

Location: Camden, ME
NRA member: Keith May, Paul McGurren
Operation: Peter Ott's Tavern and Steak House
Profile: Fullservice
In business: 12 years
Seats: 85
Meals served: Dinner

"Although not quite the boom year that everyone in Maine expected, 1986 was probably the best year we have ever had," says **Paul McGurren,** manager and part owner of Peter Ott's Tavern and Steak House. The restaurant is located "quite a ways" up the Maine coast in a restored 19th-century brick building that formerly housed a car repair garage.

Peter Ott's opened in 1974 as a steak house, but successfully diversified as Camden's restaurant market became more competitive. Today, dishes such as *Teriyaki Sirloin* and *Steak Dijonese* are complemented by international gourmet dishes and local seafood.

McGurren says that Peter Ott's tries to tailor its menu to the season, serving "what's good, when it's good." Peter Ott's is also responsive to patrons who are looking for more nutritious, wholesome foods. The restaurant has added low-calorie items, such as a homemade cucumber dill salad dressing. In addition, the chefs will custom cook whenever possible, often using ingredients a customer brings to the restaurant.

2 MID-ATLANTIC

Location: Hazleton, PA
NRA member: Harry Costas
Operation: Coney Island Incorporated
Profile: Fullservice

In business: 64 years
Seats: 110
Meals served: Breakfast, lunch, dinner

Hazleton, a city of 28,000 known as "the Gateway to the Poconos," has been inundated recently by fast food restaurants. "Fortunately," says Coney Island owner **Harry Costas,** "the local economy is strong enough that, by working hard, we've managed to do well." The increased competition has forced Costas to closely watch labor and food costs in order to fine-tune his operation.

Coney Island was founded in 1922 as an old-fashioned Coney Island hot dog shop. Today, the textile workers, shoppers and businesspeople who frequent the restaurant find a low-priced, contemporary operation with a varied menu that includes spareribs, tacos, and gyros.

And what about the all-American favorite that gave the restaurant its name? Costas has taken advantage of the frankfurter's recent popularity resurgence by expanding his selection to 28 varieties of hot dogs, from knockwurst to kielbasa. The traditional *Coney Island Frank*, topped with mustard, onions and chili, is still a big seller. Other favorites are the *Penn State*, a foot-long dog with sauerkraut, cheese and mustard, and the *California*, made with nacho cheese, lettuce, tomatoes and onions.

3 SOUTH ATLANTIC

Location: Longboat Key, FL
NRA member: Edith Barr Dunn, Kenneth H. Barr
Operation: Shenkel's
Profile: Fullservice Welsh American restaurant
In business: 27 years
Seats: 150
Meals served: Breakfast, lunch, dinner

"A lot of local restaurants seem to be crying the blues, but our business is fantastic," says **Edith Dunn,** owner of Shenkel's.

Shenkel's weathers occasional fluctuations in the economy, says Dunn, because the restaurant is so well established. She seldom does any advertising or promoting, although she recently celebrated the restaurant's 27th year of business by offering certain menu items at their 1959 prices.

Shenkel's is located on Longboat Key, a 10-mile-long island that is connected to the mainland by a bridge. Customers who make the short drive across the bay enjoy chicken potpie, steak and chops as well as Dunn's Welsh specialties. *Welsh Surprise*, one of the favorites, is made by broiling chopped beef and bacon bits and then smothering the mixture in a bacon and cheese sauce.

4 EAST NORTH CENTRAL

Location: East Lansing, MI
NRA member: David Scholten, Linda Cecil, Paul Dewyse
Operation: Harrison Roadhouse
Profile: Fullservice American
In business: 5 years
Seats: 150
Meals served: Lunch, dinner

1986 has been a good year, says manager **Chuck Hartman,** both for Harrison Roadhouse and for the local Michigan economy. As in much of Michigan, the local economy is largely dependent upon the automobile industry, and it has started to stage a comeback.

Autos also figure prominently in the history of Harrison Roadhouse—the five-year-old restaurant is housed in a converted Shell gas station. The facade has been redone in brick, and the south side of the building, where the auto bays were once located, is now all glass. A front porch has been added; it is a strong draw in warm weather.

The restaurant's young,

slightly upscale crowd enjoys burgers and sandwiches at lunch and steak and seafood at dinner. Pasta and stir fry dishes are also popular.

5 EAST-SOUTH CENTRAL

Location: Gulf Shores, AL
NRA member: Shirley Perdew, Wayne Perdew
Operation: Shirley & Wayne's
Profile: Supperclub
In business: 5 years
Seats: 350
Meals served: Dinner

At Shirley & Wayne's, a supper club located on Alabama's gulf coast, the owners are "very happy about 1986." Mid March to October was especially lucrative, says co-owner **Shirley Perdew,** because tourists flocked to the Gulf Shore's beaches.

Shirley & Wayne's is a three-tiered, theater-in-the-round restaurant, with the lower level serving as a lounge and the upper levels as dining areas. The "Ton of Fun Band," which features Shirley's husband, Wayne, on vocals and fiddle, entertains nightly.

While enjoying the house band, customers dine on prime beef and seafood dishes, such as shrimp and crabmeat au gratin.

6 WEST NORTH CENTRAL

Location: Alcester, SD
NRA member: Reid Boetel
Operation: Corner Cafe
Profile: Fullservice
In business: 10 years
Seats: 50
Meals served: Breakfast, lunch, dinner

At the Corner Cafe, located in South Dakota's southeast panhandle, this year's business was better than 1985's. According to owner **Reid Boetel,** "The farmers are starting to loosen up a little. They're still fussing about the economy, but I think they're a little less worried than last year."

The farmers and businesspeople, who comprise the bulk of the cafe's clientele, order from a menu that includes standard cafe fare. Breakfast foods, sandwiches, salads and luncheon specials, such as shrimp and chicken nugget platters, are all equally popular.

More unusual than the menu is the cafe's name because the Corner Cafe is not on a corner. Boetel explains that the original owners decided to retain the cafe's name when they moved from the corner to a space in the middle of the block.

Boetel's mother helps manage the cafe and also bakes its signature pies. Boetel has noticed, however, that "people are staying away from the sweet stuff now that weight consciousness has become a big factor." The cafe's customers now consume only one or two pies each day, down from five or six when the Corner Cafe first opened.

7 WEST SOUTH CENTRAL

Location: Lafayette, LA
NRA member: Richard Rivet
Operation: Chris' Poboys
Profile: 4-unit, sit-down restaurant
In business: 8 years
Seats: 50 to 130
Meals served: Lunch, dinner

"A few years ago, the future looked real bright around here," says **Richard Rivet,** owner of Lafayette's four Chris' Poboys. "But right now it's as bad as I've ever seen it because as the oil industry goes, so goes Lafayette."

Sales at Rivet's inexpensive restaurants have plummeted 40 percent in the last few years. When Lafayette's economy first began to weaken, people traded down to less expensive restaurants, such as his. But the situation has worsened, and the only silver lining Rivet finds is that he has "really learned how to run a tight operation."

Chris' Poboys offers 10 different poor boys, the New Orleans version of the submarine sandwich. Shrimp and roast beef are the two biggest sellers, but Rivet points out that the key to a superior poor boy "is not in the ingredients, but in the French bread." He gets his foot-long rolls from a small bakery in Breaux Bridge, 15 miles outside Lafayette.

8 MOUNTAIN

Location: Burley, ID
NRA member: Cloyd Taylor
Operation: Price's Cafe
Profile: Fullservice
In business: 62 years
Seats: 350
Meals served: Breakfast, lunch, dinner

In the small farming community of Burley, the local economy is "on the fair side." But business is as steady as ever at Price's Cafe, a well-established family restaurant that has never operated in the red in any of its 62 years.

Cloyd Taylor, the cafe's third-generation owner, likes to serve "down-to-earth, good country food." Many of his customers are regulars, who eat from one to three meals a day at Price's. They enjoy lots of homemade items, such as cinnamon rolls and bran muffins.

An all-you-can-eat buffet is extremely popular. Taylor keeps it filled with a variety of salads, fresh vegetables and hearty items, such as roast beef, ham and barbecued and fried chicken. Customers can also order a la carte, and Taylor is happy to accommodate them if they have special requests.

9 PACIFIC

Location: Gold Beach, OR
NRA member: Joseph C. MacPherson, Emma Lou MacPherson
Operation: The Golden Egg
Profile: Fullservice
In business: 9 years
Seats: 65
Meals served: Breakfast, lunch, dinner

"1986 was a real good year," says **Emma MacPherson,** co-owner of The Golden Egg. The local economy is "doing better than it was," and the restaurant's summer business was boosted by tourists going to and from the Expo in Vancouver.

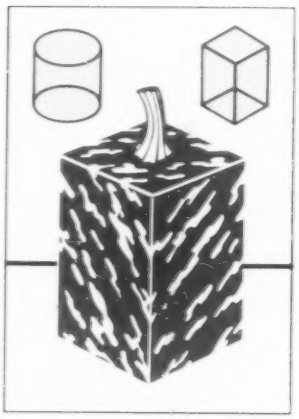
Located on Oregon's southwest coast, The Golden Egg specializes in omelets and seafood, sometimes in combination. One of the most popular dishes is the *West Coast,* an omelet containing crabmeat, shrimp, mushrooms and local cheddar cheese.

In 1986, The Golden Egg owners made several changes to respond to industry trends. They attracted mature customers by offering senior citizens discounts, and they introduced a light menu to appeal to the health-conscious. In addition, MacPherson installed a RAIR oven because she felt that people were shying away from fried foods. She uses the oven, which fries food with hot air and pressurized steam rather than oil, for such dishes as french fries, barbecued ribs and chicken.

—David Slater

Geometric, embossed vegetables

Over the past few years, the public's fascination with freshness and nutrition has made vegetables "in" foods. New varieties have been introduced, and vegetables have been scaled down to petite proportions. Now, a North Carolina grower has developed a process for altering the shape of vegetables. The farmer reportedly places molds around developing blossoms to create vegetables of predictable sizes and shapes. The molds can even be embossed with a logo.



This year's products included square-shaped zucchini, cucumbers and, for Halloween, pumpkins. Because of high demand, however, square tomatoes and melons will become available next spring along with, perhaps, a few pentagonal, prismic and triangular varieties. The 15,000 pieces produced so far fell far short of demand even at the hefty price of four dollars per piece.

—Advertising Age

For culinary bookworms

In the historic Ansonborough section of Charleston, SC, Thanksgiving marked the opening of Hoppin' John's, the only bookstore in the Southeast devoted exclusively to the world of food. Named after the famous soul food dish of rice and cowpeas traditionally served in the South on New Year's Day, Hoppin' John's is also a play on the name of its owner, John Taylor.

Taylor, the former food editor of the French magazine *Ici New York*, apprenticed in Kitchen Arts & Letters, a culinary bookstore in New York, NY. Hoppin' John's opened with 2,000 titles, which, according to Taylor, is 10 times the number of cookery books the average bookstore carries.

The bookstore will carry both new and out-of-print books and will provide a book-search service, recipe searches and mail orders. The inventory will include cookbooks, books about wine, hunting, fishing and gardening; its own line of greeting cards; packaged food products; antique food; drinks; and custom-designed knives.

—Highfield & Richardson

An herbal preservative for fats?

In the Middle Ages, soldiers going to war gave their wives a pouch of dried rosemary to remember them by. Just as the herb's powerful aroma was believed to preserve love, scientists today have discovered rosemary can help keep fats from becoming slightly rancid and developing an off-taste.

Two Rutgers University chemists, Stephen Chang and Chi-Tang Ho, have found a way to extract rosemary's preservative benefit without its strong, biting flavor. The extract, diluted to .02 per cent, is said to preserve foods as well as any chemical available today, including synthetics such as BHA and BHT. Furthermore, it takes 10 times as much rosemary extract to reach the toxicity level of synthetics.

—American Health

A computerized wine steward

Customers unsure of which wine to select for their dinner don't need to fret any longer. They can ask the Wine Steward. No, not the sommelier in a restaurant but a computer at the Futurestore in Lilburn, GA. The computer, called the Wine Steward, allows customers to first select a category of food, then the type of wine and, finally, the price range. For example, if the category chosen is poultry and the wine preference is American, the shopper selects the type

of poultry and then presses another button to receive a list of three budget American wines in stock. Additional presses reveal moderately priced selections and premium wines.

—New York Times

Good will on wheels

On Thanksgiving, Domino's Pizza loaded its delivery vehicles not with pizza boxes but with bags of canned goods. Were the employees marketing a new pizza-in-a-can? No, they were participating in Domino's Thanksgiving Canned Food Drive by hand-delivering more than 20,000 bags of groceries to needy families in 16 states.

450 Domino's stores took part in the Thanksgiving delivery campaign. Beginning Oct. 29, 1986, customers received some form of discount on any pizza purchase in exchange for a canned food donation. Domino's also solicited donations of frozen poultry, ham and other foods from retailers and distributors.

"When we started the canned goods drive in 1984, we had no idea it would grow into such a big program," said Bill Adamson, a Domino's regional director. "That year, a handful of stores collected enough food to fill 800 grocery bags."

—Point Communications

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